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# West Europe Report



FOREIGN BROADCAST INFORMATION SERVICE

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16 October 1985

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POLITICAL

EUROPEAN AFFAIRS

MAIN FINNISH NEWSPAPER: SWEDEN BIGGEST FOREIGN POLICY PROBLEM

Stockholm DAGENS NYHETER in Swedish 24 Aug 85 p 14

[Article by Stefan Lundberg]

[Text] Helsinki--Sweden is the biggest problem and the greatest challenge for Finnish foreign policy. This was stated Friday in an editorial in the largest Finnish daily paper, HELSINGIN SANOMAT.

This article is a continuation of the lively debate now underway concerning whether or not Finland should increase its contacts with the West and with Western Europe.

The debate began with a controversial article by Max Jakobson in UUSI SUOMI on Sunday. Jakobson, one of the country's leading foreign policy polemicists, called for closer ties with the West.

Sharply differing opinions have been presented. The left wing sees Jakobson's article as an attempt to change the foreign policy course, while the non-socialists support Jakobson.

HELSINGIN SANOMAT went a step further on Friday and pointed out that Finland should direct its efforts toward the Nordic countries, especially Sweden. This is one of the key issues in Finnish foreign policy today, the newspaper claimed.

Four Theses

Jakobson's article culminated in four theses. He believes that Finland's relations with the Soviet Union are secure, but points out that the significance of Finland from the Soviet standpoint is reduced as relations between the Soviet Union and Western Europe improve. From a trade standpoint, according to Jakobson, this means a reduction in Eastern markets.

Secondly, Jakobson believes that it is in the interest of Finland to maintain good relations with the United States. "We should have friends both near and far," Jakobson wrote.

Thirdly, Jakobson warned against new initiatives in the Helsinki process. "We



cannot afford to continue a series of unimplemented proposals," he said.

Finally, Jakobson proposed working harder to improve the image of Finland in Western Europe. Finland managed only at the last minute to be included in the European technological research program Eureka. According to Jakobson, this shows that the country's relations with Western Europe are not as problem-free as some imagine.

#### Sweden

HELSINGIN SANOMAT is now continuing the debate with a call for Finland to concentrate on Sweden in its foreign policy. The newspaper justified its view as follows.

"Apparently, Finland has not yet realized that the steady stream of its citizens going in pursuit of work and welfare in Sweden over the past 2 decades has confirmed the opinion in Western Europe that Finns are the Negroes of the Nordic countries."

According to HELSINGIN SANOMAT, the fate of the 400,000 Finns living in Sweden is related to both foreign policy ethics and Finnish security, especially since the country's population is on the decline.

HELSINGIN SANOMAT is now calling for a system of Nordic economic cooperation that the OECD would recognize as a special closed regional group. Only clumsiness has kept the Nordic countries from gaining the same advantages as the EC within the framework of OECD, according to HELSINGIN SANOMAT.

#### Key Questions

"In addition to a continuous Europeanization, this would guarantee a permanent Nordic lifestyle in Finland. This is one of the key questions in Finnish foreign policy," the newspaper concluded. It also called for more top-level meetings each year between Finland and Sweden.

Not surprisingly, a Western orientation in foreign policy creates bad blood on the left. The Moscow-oriented paper TIEDONANTAJA stated that participation in the Eureka project was an important reason to change the present foreign policy line.

9336

CSO: 3650/332

POLITICAL

AUSTRIA

# AUSTRIAN PEOPLE'S PARTY SEEN MOVING TOWARD RIGHT

Vienna DIE PRESSE in German 24 Jul 85 p 3

[Article by Aneliese Rohrer: "The New Direction of the 'Mainstream': The Austrian People's Party Moves to the Right"]

[Text] The new magic word which has been passed from functionary to functionary at increasing volume for some time within both major parties is "mainstream." It is typical that the word is not found in any English dictionary but is in the German Duden Dictionary of Foreign Words where it is translated literally as "Hauptstrom." Politically and in reference to the Austrian Socialist Party and the Austrian People's Party, it means more or less: The opinion of the majority of the party members plus all regular voters.

If the central committee of the Socialist Party has its way, ZUKUNFT, the mouthpiece for socialist discussion and earlier known as a forum for unconventional views, is now to be more of a reflection of the party mainstream. At the peak of the Hainburg disagreement within the Austrian People's Party the power plant opponents were accused of not being representative of the mainstream of the opposition. And everywhere this "mainstream" is again being narrowed down.

After so many socialists for so long have candidly admitted that the party under Fred Sinowatz has been "sealed off" and that to a certain extent all tributaries to the "mainstream" have dried up, now Alois Mock, head of the People's Party, also sends ever more frequent and more definite signals that the stream will be made to flow in the conservative direction.

The transformation of Alois Mock from the steadily left-leaning head of the AAB [Workers and Employees Union] to a party leader who sometimes swerves to the right, as is becoming ever more apparent, has several causes. The strong influence which right-wing Andreas Khol, head of the Political Academy, has on Mock is likely still the least significant factor. Of much greater significance is Mock's relationship as the head of the EDU [European Democratic Union] to truly conservative politicians in Europe, his admiration for Margaret Thatcher for example--and his firm conviction that the spirit of the times has changed, that conservative values such as economic growth, performance and the like are again in greater demand and that these factors just happen to be found on the "right." Mock also announced in an interview with DIE PRESSE last week that he would therefore not shrink from appearing "more of a liberal-conservative than has been the case up to now."

Thus in all probability the battle which raged within the Austrian People's Party at Hainburg and briefly thereafter concerning the party's direction has also been decided and the opposition's strategy for the next federal elections has been set: Nothing more is expected from potential Green/Alternative voters; the aim is to reach the "right fringe" of the Austrian Socialist Party and all the former Kreisky voters. Whether this will succeed, however, when Mock and others more and more frequently emphasize the "conservatism" of People's Party politics just because it appears to be so well received internationally is subject to doubt even within the opposition party itself.

Mock also made it very clear with the distance he put between himself and the requests for reform from the Austrian People's Party in Styria: He no longer gives much consideration to the highly touted "Third Republic" and all the "Greens" who wanted to frolic in it. Vis-a-vis potential People's Party voters Mock is changing his position by a few degrees with this strategy--one of their leading exponents by the way is Helmut Kukacka, the party secretary of the land of Upper Austria: If he stresses conservatism too much for the sake of the regular voters, it could easily be construed as structural conservatism and a total unwillingness to consider reform. With such a strategy, however, the Austrian People's Party would lose all hope of winning a majority in the election.

It may thus be true that the majority of People's Party functionaries have no greater longing than for a coalition with the Austrian Socialist Party. With this in mind and convinced that one party with an absolute majority will not be possible in Austria on a long term basis, it is believed that the new movements on the left can be abandoned. Participation in the government--even at the cost of stagnation among voting blocks--appears to many People's Party politicians to offer greater chances for success than seeking a majority in terms of voters and mandates.

The same thing is happening in the Socialist People's Party. The new slogan is not "finding the majority," even if officially new kinds of "absolutes" are demanded, but rather "creating the majority," as former young socialist Josef Cap formulated it in recent days. For an absolute majority the Austrian Socialist Party would have to again be made to look attractive to the Kreisky voters and the undecided voters. But within the socialist "bunker" there is no such movement in that direction. Diverse statements that the party is now, as ever, "open" sound more like urgent pleading. There is also the fact that the Austrian Socialist Party can in any case depend on its "majority maker," the Austrian Liberal Party.

Thus there is the paradoxical situation that the number of undecided voters is growing but that the two major parties concentrate more and more on their regular voters.

12552

CSO: 3620/474

POLITICAL

BELGIUM

MOUREAUX ON WALLOON REGION, BRUSSELS, SOCIALISM

Brussels LE SOIR in French 17 Sep 85 p 12

[Interview with Philippe Moureaux by Catherine Ferrant, Saturnin Gomez, and Yvon Toussaint]

[Text] He is called a "Stalin type;" harsh, cold. And it is true that this man who came to socialism, or rather to the left, through an adolescent rebellion against a too plush environment, has since then carefully buried, hidden away his anger under an impeccable and flawless ideological construction.

"I am a man of the left," says Philippe Moureaux, "a pure socialist, from analysis and through emotional conviction." He, unlike others (and indeed many others), believes in the existence of classes--"that will make my enemies happy." Despite his upper middle-class origins, he also places himself in the ranks of the "new oppressed." "These are people who often refuse, through vanity or pride, to consider themselves oppressed." Why did he make such a choice? "Because socialism is the desire to help those who need help. It is also the desire to give what you have received." It is strange how, in this man who is accused of intolerance and anticlericalism, and who protests against those labels, the Christian vocabulary can be heard whenever there is any question of commitment. Might Philippe Moureaux be a saint without God?

No, certainly not. For his love of his fellow human beings, which is all the more convincing as it is expressed with great modesty, is by no means the sole driving force behind this "political animal." There is also--and perhaps first and foremost--personal ambition. That is what has given him the patience to do his political groundwork, working out of the limelight and without too many mistakes. And it is what now, in the current balance of political strength, is leading him to limit his hunting grounds to a city that he has to win back, to a community which provides the natural scope for his freedom. And then, this community does offer him the pleasure of reigning over "the richest French province in cultural terms." Both the pleasure and the happiness, for in the well oiled, well planned career of this calculating man, ideas, the arts, and culture, are to him more than a stepping-stone or a detour. They offer him a true source of fresh air.



## A Large French Province

Question: For 4 years you have been president of the Executive of the French Community of Belgium. How would you define this concept of community, both in relation to Belgium, and also in relation to other countries, France in particular?

Answer: I think that it is quite simply, as it was intended to be (for once there is harmony between law and reality), a cultural community which at the start was very definitely a language community. Initially, the French community of Belgium was at a disadvantage in relation to the Flemish community. Historically, it has been the Flemish who have called for cultural autonomy. But our language-based community has become much more than that. For on the other side of the linguistic border, animosity toward our community has arisen. Would you like an example of this? Why was the Flemish community so aggressive about the Cockerill steel enterprise? Quite simply because it was in a French-speaking region. That is the starting point on which everything else is based.

In relation to other countries, in the strictly cultural sense we are at least 50 percent a large French province. We are without a doubt the richest, if we compare our production to our demographic importance. That causes our ambivalent relationship with Paris; it ranges from a relationship with unlimited admiration up to a rejection of the parent. Then there is the added complication that this sort of Parisian attraction is often considered here to take place at the expense of Brussels.

Question: You selected Mr Outers as ambassador of the French Community to Paris. Do you think he will be representative of our French-speaking sensitivities?

Answer: Mr Outers has his rough edges, just as everyone else does. But I know that he is a man who enjoys a good reputation in French political circles, both within the majority and in the opposition, and I am sure that he will be able to open some doors. As for his representative nature, it is clear that Mr Outers is among those French speakers who feel admiration for Paris. Maybe too much, some people say.

Question: And in relation to Flanders, how is this community viewed?

Answer: First of all, let me say that part of our French-speaking cultural heritage comes to us from Flanders. As an example, I feel that Verhaeren and Maeterlinck are part of our heritage. We have to accept and defend this heritage. Moreover, we can't deny that French culture in Belgium is partially impregnated by our proximity to Flanders. That is a resource of border regions like ours.

Question: Do you want to have a cultural agreement with Flanders?

Answer: I hope to have the best possible cultural relations with Flanders, of course. I also believe that an entire range of things that are no longer possible today on a national basis would be feasible if they were worked out between entities with their own existence and autonomy. That is the best way for each party to get rid of its complexes.

Acting in this spirit, we are now in the process of negotiations with the Flemish Community about an exchange agreement for sports and artistic activities, which is much easier to handle from community to community, without fears of any sort of Trojan Horse. We would like the Flemish to understand that welcoming French culture in Flanders should not be interpreted as an attempt at "Frenchification," but simply as an opening up to a great nearby culture. A culture that, objectively, has influenced Flemish culture, just as there have been reciprocal influences.

Belgian Culture: "Ridiculous!"

Question: Do you think there is a Belgian culture?

Answer: The French and Flemish cultures certainly do have Belgian aspects. But trying to insert a Belgian culture between the two seems ridiculous to me! As for cultural institutions which are today under national control (some museums, the royal library, the Theatre de la Monnaie, etc.), I think that the right solution would have been to put at least part of these institutions under the control of a sort of foundation, as has been done in England.

Question: You seem very concerned about projecting the image of the French Community abroad. How should such a projection of the image of Belgium abroad be handled?

Answer: I find that the way in which the image of Belgium is projected abroad is influenced by internal balances of power. Specifically, this means that more and more the image of a Flemish Belgium is what is being projected. So the French Community of Belgium must begin to project its own image. If we don't, our country would give the image of a Flemish Belgium with a protected minority. I can not accept that.

Question: Aren't these external ties tinged with ideology?

Answer: It is true that the French Community has had ties with countries that were not on good terms with Belgium--Nicaragua is one such example. But this isn't a case that isolates us from the rest of Europe. I find that the Dutch, among others, are very much present in Managua. But these are ties in cultural and social matters. There is no question of the French Community taking any positions in the field of defense or military alliances. We have to work with our institutions honestly; otherwise, we would be heading toward a breakup. But that shouldn't prevent the communitarization of cooperation for development, which I favor.

A Belgian, a French Speaker, or a Citizen of Brussels?

Question: Philippe Moureaux, do you feel that you are first of all a Belgian, a member of the French-speaking community of Belgium, or a citizen of Brussels?

Answer: I don't know how to answer that. I feel all three of them. It depends on the situations.

Question: How do you see Brussels inside the French Community of Belgium?

Answer: It is certainly an entity on its own. This is the reality that I have experienced ever since I have headed the Executive of the French Community. Undeniably, in this community there is Brussels and there is the Walloon country. And most likely, we will move toward a cultural differentiation between the two entities. But I hope that the community of language will remain. We have to maintain a certain coherence even while recognizing this differentiation. That is what I tried to do in heading the "Botanique" operation.

Question: What is your opinion on the dispute about the merger of the community and regional executives?

Answer: These ideas of a merger of the executives are an outgrowth of the Belgian complexity. Those are theoretical plans which do not take into account the reality of the situation here. This reality is precisely that there is a difference between Brussels and the Walloon country of Belgium in a whole number of areas. So we have to allow this dual regional and community reality to remain.

Question: And would Brussels become a third region? Are you one of those French-speakers (as the FDF [Democratic Front of Brussels French Speakers] has been asking) who would not participate in a future government that would not grant Brussels its own regional status?

Answer: My party has had an opportunity to state its position on this subject: we will not participate in a government if it finds it impossible to do anything for Brussels. As for saying that we would block everything if we didn't get the application of 107 point 4, it seems to me that's going a bit far and being unrealistic. But on the other hand, I don't think that Brussels could keep its status quo, as the liberals are saying.

Question: You say you are concerned about solidarity between Brussels and the Walloon country. Isn't the majority of the Socialist Party apparatus more in favor of the Walloons?

Answer: I think that we have to look at the nuances of things. In all the debates on this issue, Guy Spitaels has displayed a community

sensitivity. It is clear that the Walloons are a majority in the PS [Socialist Party] and that disagreements may arise between them and the Brussels people. But I can tell you that many of my Walloon friends are convinced that if Brussels were to lean toward the Flemish side, that would be a catastrophe for the Walloons. This explains their concern about maintaining solidarity with Brussels, despite their numerical importance within the party.

"I Am Appealing to a Minority"

Question: A few days ago, we published a poll on the election views of French-speaking citizens. It showed that the "average Brussels citizen" is somewhat opposed to change, not much in favor of solidarity, and would prefer a coalition between the liberals and social Christians.

Moreover, this poll seems to suggest that it might be to the PS's advantage to follow a radical line in Brussels to attract people who are close to it, and in the Walloon region, to seem more moderate, in order to appeal to the average Walloon. What do you think of that?

Answer: It seems logical that in an area like the Walloon region, where we get 40 percent of the votes, we could only increase our influence among the more moderate sectors of the population. But in Brussels where I run, contrary to what the communications experts have advised me, I have chosen the message that seems simplest to me, "Socialist and Citizen of Brussels." I am appealing to a large minority of the people of Brussels who may support my political action. That is the current status of Brussels public opinion. I hope that this will develop further. Today I am trying to convince a minority that is opposed to Nols, that is opposed to the right, and which must make up from 30 to 40 percent of the Brussels population.

Question: Do you have a prognosis for the next election?

Answer: I think that the elections are going to be wide open. The number of undecided voters is still enormous. As far as we are concerned, any decline would be a defeat. The status quo in Brussels would be a disappointment.

Brussels 2000: "Belgian and International"

Question: How do you see Brussels in the year 2000?

Answer: I think that Brussels should find the point of equilibrium that would let it attach itself to the Walloon region without cutting itself off from Flanders--and prevent the breakup of Belgium. Brussels will become more and more an international city. That's simply the way it's going to be. But I don't believe in an international detour to settle the Brussels problem within Belgium.



Question: One problem is specific to Brussels; immigration, How would you deal with that?

Answer: That problem is difficult for the socialists. For our mission is to help the people who are least well off, who are people with very limited resources, people who live in neighborhoods with a high concentration of immigrants.

But our mission is also to put an end to racist politics and policies. So here we have to face a terrible contradiction.

The priority angle of attack should be to prevent the creation of ghettos, but to do this the state would have to give supplemental resources to the towns affected. And that wouldn't solve all the problems. All oversimplifications in this area are regrettable. An effort would also have to be made on the cultural level. It goes without saying that I respect the immigrants' cultures of origin, but they must also be taught European culture.

Of course, flexible attitudes are needed so that differences will be respected. But the socialists will oppose Moslem clericalism just as they have opposed Catholic clericalism!

Question: What about the Gol Law? You voted against it in Parliament, but when the possibility arose of applying it in Molenbeek, acting in your capacity as a city council member, you abstained...

Answer: Once it has been passed, I don't believe that its application in a particular town can be opposed. But I am still convinced that this law doesn't solve anything at all, and that it is really just tilting at windmills.

A Socialist from Deep Inner Conviction

Question: How did Philippe Moureaux come to socialism?

Answer: People generally say that there are four paths leading to political commitment: tradition, material self-interest, an intellectual discovery, and emotional commitment to a cause.

I didn't come to socialism through the first two routes, since I'm from a middle-class liberal family. I would say I reached socialism through the latter two routes. My intellectual awareness was linked to my education, for I went to a communal school for my primary education.

Then in secondary school I entered Catteau, a secular snob school. It was a shock for me to move from a semi-popular environment to another environment that was so openly bourgeois. This intellectual awareness was reinforced by an emotional conviction: I believe that we have to be prepared to serve those

who need our help. That is something I feel in my guts. And I believe that those of us who have had some luck, who have had an education and some help in getting along in life, also have an obligation to act like this. When people enter politics, they have to hold this belief with conviction. If one day I were no longer to believe this, I would devote myself to my profession as a university professor. And to gardening.

Question: What is socialism now, in 1985?

Answer: It is first of all a constant: this determination to help the people who need help the most. But for me, it is also a conviction that some deep, underlying realities are still there. Now I am going to say something that will certainly delight my political opponents; I believe that there are social classes in our society and that political life is still dominated by this factor.

Since I have been involved in politics, I have only become more convinced of this obvious truth. When we negotiate between parties to reach an agreement, I find that each party defends the interests of quite particular classes.

Question: What class do the socialists defend?

Answer: The exploited class, which is no longer just the working class. Today the exploited class is more scattered, which makes it harder for it to unite and to defend itself.

Its members are found among lower and mid-level management, intellectuals, and the self-employed, as well as employees, workers, or the unemployed. Our challenge is to try to bring all these people together.

"To Be a Good Manager..."

Question: In order to take on this challenge, should socialism become more moderate or more radical?

Answer: I believe that socialism must prove itself to be a good manager--which it has not always been in the past. It has to find a balance between profits and social justice. That is what I have tried to do in the French Community for the past 4 years.

Question: Can the French example illustrate your comments? Which French socialists do you feel you are closest to: Fabius, Chevenement, Delors?

Answer: I believe that the French socialists made a dramatic error by moving from an almost exclusively emotional language and from immediate positive

social measures to a very different sort of language and to measures that are sometimes hard to accept. And they did this so abruptly, I would say that I feel somewhat close to Delors. Certainly not to Chevenement, who speaks like a radical and then goes on to play up to the bourgeoisie. I really don't know Fabius very well yet.

Question: Is there a Spitaels style of socialism?

Answer: I think so. There is one aspect in Spitaels that strikes me as quite extraordinary: his desire for political honesty, which I support to a large extent. This is an honesty that he sometimes pushes to the point of heroism, since he would rather have us lose a few percentage points in an election, but be able to hold our heads high if we participate in running the government.

"Cools, My Political Father"

Question: Is there (or was there) in the PS a Cools style or Glinne style of socialism?

Answer: You know, Cools is my political father. And in our party, he still remains as an example of honesty and of the type of relations that should exist among people. But quite frankly, I have never found a Glinne style of socialism.

Question: Why, basically, should the socialists belong to the next government?

Answer: For me, the first reason is to change things in our country in economic and social terms. The second reason would be to promote the institutional advance of Belgium. I know that my party puts the two things on the same footing, but personally I think that the first point is more important.

Question: With which partner(s) do the socialists foresee doing these things?

Answer: That will depend on the balance of power arising from the elections. Political parties may have very different reactions depending on whether they were beaten or emerged the winners from an election.

Question: Isn't the PSC [Christian Social Party] naturally closer to your views, considering the gulf separating you from the PRL [Liberal Party?] program?

Answer: It's too soon to say that. We have to be wary of appearances. Quite often when we are in the government with the PSC, they send us their most die-hard conservatives. And that is intentional on their part. It is

true that a gulf does separate us from the PRL, but we also have to realize that in terms of honoring agreements, the liberals are more correct than the social Christians. That may also be a factor.

Question: And what if the present coalition stayed in for a new legislature?

Answer: That would be catastrophic for the right would be let loose.

"Me, a Stalinist?"

Question: And what about you, who are you, Philippe Moureaux? People say you are cold, intolerant, a Stalinist...

Answer: I don't think I am either intolerant or a Stalinist. That's a way of caricaturing the fact that I am actually consistent with my political positions. But that doesn't keep me from being very much attached to liberty, which is at the opposite end of the spectrum from Stalinism.

Question: Do you feel these accusations are unfair? Do they hurt you?

Answer: I was educated by Arnold Coombs when I served in his cabinet. He taught me to take such things with a sense of humor. I am convinced that is the best way to react. Otherwise, you shouldn't be in politics. As for whether or not I am cold, I would rather say that there are some things I don't do. I won't embrace everyone I meet. That may be a handicap.

Question: What about your nickname of "Flupke moustache"...

Answer: Oh, I like that!

Question: In the PS, you are a party man. You mentioned the time you spent in ministry cabinets. What did that experience do for you?

Answer: A cabinet staffer learns an enormous amount of things about the workings of the state, about politicians, about the complexity of issues. He can also have a direct impact by pushing some of these issues forward.

Question: Is there anything you regret not having been able to do in your political life?

Answer: I am not a man who spends his time on regrets. I sometimes have remorse. And I do have a feeling of frustration that the position on local radios has not changed substantially in recent years.

Question: Do you have the feeling that you have accomplished something of importance?



Answer: The strengthening of the Walloon-Brussels cultural community.

Question: What are your views on politicians in Belgium?

Answer: They aren't any worse than in other countries. That isn't necessarily an enthusiastic recommendation. They do have a certain capability for working out compromises. But I believe that is related to our proportional election system, which in my opinion is the best type.

Question: What are your political ambitions?

Answer: I am not a man with big ambitions for a personal career. But I do have some major objectives: the maintenance of the community ties between the Walloon region and Brussels and trying to be one of those who will bring about a resurgence of socialism.

Question: After the elections, if the PS does take in part in the new government, do you foresee yourself in the community or in the national government?

Answer: Personally, I would be just as happy to keep my community responsibilities. There is greater freedom for action on this level.

Question: People say that the PS has the habit of tying its national ministers down. Are you afraid of that?

Answer: I have never felt anything of that sort.

7679

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POLITICAL

DENMARK

# JØRGENSEN SEEN WANTING SDP SHADOW CABINET JOB ROTATION

Copenhagen BERLINGSKE TIDENDE in Danish 23-29 Aug 85 pp 1, 2

[Article by Solveig Rødsgaard]

[Text] The municipal elections on 19 November may become a fateful date for Anker Jørgensen. He needs a municipal election victory in order to avoid attempts to force the takeover by another generation. However, he has got his shadow cabinet ready even though very few Social Democrats expect a Social Democratic government to take over for some time.

Former Social Democratic ministers will in the upcoming session of the Folketing be requested to participate in some kind of job rotation in order to get a more detached view of their tenure in office. The leadership of the party, headed by Anker Jørgensen, are behind the request, and the background is a discussion earlier in the year with the party's members of the Folketing on a tightening of the political profile.

All of the members of the Folketing were summoned alphabetically to a meeting with the daily leadership of the Folketing group, and a common theme at these meetings was dissatisfaction with the fact that the former Social Democratic ministers actually act as some kind of deputy ministers in the committees of the Folketing. That is to say that they are more experts than politicians carrying through Social Democratic policy positions. This may give rise to problems in their relations with lower-ranking group members, who feel somewhat pushed aside and thus do not get the possibility of showing the desired Social Democratic profile.

They will now seek to solve this problem by requesting a job rotation, so that the former ministers are not automatically tied to committee posts which are connected with their former areas as ministers. The request for renewal in filling the committee posts will today be discussed at a group meeting.

## Future of Anker Jørgensen

To Anker Jørgensen, increased rotation within the committees would mean new and interesting possibilities of testing possible candidates for the shadow cabinet which must be ready to come to the fore when the voters permit it.

Anker Jørgensen has a list of ministers ready, he has told BERLINGSKE TIDENDE, because a change of government "may come at any time."

The party chairman, however, did not reveal who would be taking over the ministerial offices if the sixth government under the leadership of Anker Jørgensen becomes a reality. The reason is that the composition of the government will depend entirely upon the timing of the change of government, And the timing, in turn, will be a factor in determining who will be the head of a Social Democratic government.

In this context, the municipal elections on 19 November will become a rather fateful date for Anker Jørgensen. With him as leader, the Social Democratic Party has experienced three consecutive election defeats: the municipal elections in November of 1981, the elections to the Folketing in December of 1981 and the elections to the Folketing in January of 1984. In addition, the EC elections in June of 1984 became a disaster in view of the efforts and funds which had been staked on the declared goal of fighting both the Socialist People's Party and the People's Movement against the EC. Such a large number of election defeats in a row is a threat to any political leader, and even if the Social Democratic Party traditionally does not remove its chairmen--"they are not fired, they resign themselves," as they say--another election defeat in the upcoming municipal elections may cause the Federation of Trade Unions to increase its pressure to have Anker Jørgensen replaced.

Anker Jørgensen's relations with the Federation of Trade Unions have never been warm, and he is not in particularly high favor with the labor movement at present. However, a number of Social Democrats attribute this more to the fact that "if there is frustration within the party, the frustration within the labor movement is no smaller," with reference to the tackling of the collective bargaining and the package deal, the dispute between the Semi-Skilled Workers Union and the Metal Workers Union, and the position of Knud Christensen, chairman of the Federation of Trade Unions, in relation to a number of strong trade union people. "They then have to find a scapegoat, and that will be Anker Jørgensen," as they say.

## Process of Readjustment

Anker Jørgensen, 63, has cryptically formulated his ideas of the timing for his retirement in the way that "I shall retire before reaching the age of 70."

However, even if Anker Jørgensen will remain in office till the last moment, many Social Democrats consider it unlikely that he will manage to become the head of the Social Democratic government which will replace the nonsocialist government.

The recognition on the part of the Social Democrats that their party will not get into power for the time being is due to three things. The handling of the political transition process within the party and the Folketing group, the advent of another generation within the party and the fact that the present government may remain in office for a long time on account of its increasingly firmer support from the Radical Liberal Party. Provided, of course, that the cooperation within the government is maintained.

With economic good luck, externally as well as internally on the strength of the economic policy, results have been achieved which will benefit the government on the eve of the election.

And the very economy is a central issue to the Social Democratic Party. In the course of the last few years, there has been a remarkable change in the Social Democratic Party's conception of economic policy, a change which some Social Democrats themselves refer to as the political readjustment process. The Social Democratic Party will now also pursue a tight economic policy, maintain the krone rate of exchange and aim at a low interest rate and a low rate of inflation. They also appreciate the fact that the public sector cannot be allowed to simply keep growing, and that has perhaps been formulated most effectively by Mogens Lykketoft: "Not even a socialist is capable of distributing the gross national product twice." Also some of the viewpoint presented to the public by Mogens Camre in 1981, and which almost cost him his post of political spokesman, are now becoming recognized theses within the Social Democratic Party.

However, it is somewhat difficult for Anker Jørgensen to reach that recognition, many Social Democrats state. The party chairman is an idealist and popular in the best interpretation of the word, and he is extremely eager for everybody to become more affluent. Economic Social Democrats interpret it in the way that Anker Jørgensen has difficulty understanding Poul Schlüter's effectiveness. That people do not vote for the Conservatives because they are reactionary but because they want the economy to be in good shape.

#### The Economic Framework

However, the growing appreciation of the limits to expenditures under the budget shows that the economic policy readjustment process within the Social Democratic Party, after all, has paid off. The position of the party on the budget for 1986 shows it. Not only will the Social Democratic Party vote for it. In proposed amendments the party wants to abstain from pursuing a policy of inflated promises of improvements without direct indications where the funds will be coming from. The amendment proposed by the Social Democratic Party will not change the economic framework fixed by the government, which means that the Social Democrats will operate with an unchanged tax pressure and within the framework of the national deficit of 26 billion kroner indicated by the government. The Social Democratic Party wants to provide scope for a 5 percent improvement within the social sector, also referred to as social restoration, and the funds for it are to be obtained from a tightening of the hydrocarbon tax and elimination of the reduction of employers' dues in the amount of 2.4 billion kroner.



## Shadow Cabinet

Despite the uncertainty regarding the timing of a new Social Democratic government, it has been possible to a certain extent to reconstruct the shadow cabinet which Anker Jørgensen has in mind at present. The list of ministers has been arrived at after consultations with a number of Social Democratic members of the Folketing, and the list will, of course, contain some loose ends, not least in view of the experience that may be gained through a rotation of the former ministers in the committee posts and the opportunities that less known Social Democrats may thus be given of asserting themselves.

The list contains but few possible candidates from outside the Folketing. This is due to the recognition that political experience is an important ballast for a minister, and previous attempts at taking ministers without parliamentary or other political experience have not been too successful.

However, Poul Nyrup Rasmussen, chief economist of the Federation of Trade Unions, Thorkild Simonsen, mayor of Århus, and perhaps Per Kålund, county governor, are prospective candidates outside the Folketing.

The shadow cabinet may, incidentally, look as follows:

Prime minister: Anker Jørgensen.

Minister of foreign affairs: Svend Auken or Ritt Bjerregaard.

Minister of finance: Ritt Bjerregaard or Svend Auken.

Minister of taxes and public revenues: Mogens Lykketoft, although he will get quite restive as he prefers the post of minister of finance.

Minister of economic affairs: Poul Nyrup Rasmussen or Ivar Nørgaard.

Minister of cultural affairs: Depending on how it all works out, the choice may be Birte Weiss.

Minister of justice: Ole Espersen--who may, however, be moved to the ministry of cultural affairs if another competent minister of justice emerges.

Minister of agriculture: Bjørn Westh.

Minister of fisheries: Ole Stavad.

Minister for public works, communication & transportation: J.K. Hansen will probably be the choice anew.

Minister of social affairs: Karl Hjortnæs, provided he will accept the post.

Minister of environment: Mogens Camre is a possibility. But it may also be Dorte Bennedsen.

Minister of Nordic affairs, to whom the Ministry of Greenland Affairs will be moved: Jytte Andersen is a possibility.

Minister of church affairs: Arne Jensen.

Minister of interior: Thorkild Simonsen or Per Kålund are the possibilities that have been aired because there is a need for a minister with a long municipal experience.

Minister of energy: Poul Løvig Simonsen, one of the less known members of the Folketing.

Minister of defense: Poul Nielson, who, incidentally, will return to the Folketing as of 1 January if Henning Jensen, member of the Folketing, as expected, becomes mayor of Horsens.

Minister of housing: Torben Lund.

Minister of labor: Hard to find suitable candidates, but it may be Poul Nyrup Rasmussen, provided somebody else can become minister of economic affairs.

Minister of industry: Georg Poulsen is the possibility that is seriously mentioned. But it may also be Bjørn Westh if another candidate for the post of minister of agriculture emerges.

Minister of education: Erling Olsen, although a wing of the Folketing group strongly opposes him.

In preparing the list of ministers, attention, however, will also have to be paid to the parliamentary leadership. It is important to have a strong and competent chairman of the Folketing group. It may be Henning Rasmussen, it may be Svend Auken, or it may be Karl Hjortnæs. And then they can begin anew fitting the right people into the various ministerial posts.

#### New Generation

Anker Jørgensen is chief of the shadow cabinet. But who will then replace Anker Jørgensen one day. The most obvious candidate is Svend Auken, and he could take over tomorrow if it was up to a number of Social Democrats. But others point out that one should not forget Mogens Lykketoft. In the course of a few years, he will be in a very strong position within the party, it is being predicted. He is becoming less of a technocrat, he is knowledgeable, and he is hardworking. As far as Ritt Bjerregaard is concerned, it is not clear to many colleagues within the Folketing group whether she has abandoned the idea of participating in the struggle for the future chairmanship. Ritt Bjerregaard has kept a low profile in Danish politics for quite some time, and she is often away from the Folketing on account of trips abroad. The reasons are that she is chairman of a European group of experts set up by the OECD to study youth conditions in Australia and that she participates in a number of meetings

of The Trilateral Commission. But there is no doubt that the political defeat which she suffered in connection with the elections of the Social Democratic Congress less than 12 months ago has been all but forgotten and forgiven.

7262

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POLITICAL

DENMARK

# PAPER ATTACKS SDP'S BUDTZ NORDIC ZONE PROPOSAL

Copenhagen BERLINGSKE AFTEN in Danish 23-29 Aug 85 p 8

[Editorial: "Goodbye, Budtz, and Thanks for Leaving"]

[Text] The duel between Uffe Ellemann-Jensen and Lasse Budtz continues.

Hardly had the smoke subsided from the round fired by the chairman of the Liberal Party from the assembly hall at Lysabild when the public was entertained with a new political missile from the foreign policy spokesman of the Social Democratic Party, and this time the aim was so low that it not only hit the government but also the security policy majority of the Folketing under the belt. Admittedly, Lasse Budtz claims that it was a question of an old missile, and that the gun went off prematurely. But here as in Lumsås it is the damage caused which counts and not the timing or the purpose.

"If the United States continues to refuse to give us any guarantees of a nuclear-free zone (comprising the Nordic countries), the situation might conceivably arise where we would say that it is, indeed, a pity, but we shall set it up after all, for we are the ones to decide what happens in Denmark," Budtz told Terkel Svensson of JYLLANDS-POSTEN.

Where, previously, one might have wondered how much personal animosity between the two former reporter colleagues from TV-AVISEN and how much party policy polemics was involved in the frequent bickerings between Ellemann and Budtz, with the most recent publicly known statements the matter openly reached an area where it became a government concern and a matter to be dealt with by the chief of the opposition, former Prime Minister Anker Jørgensen.

Where the chairman of the Liberal Party at Lysabild sufficed it to aiming his guns against a certain foreign source of inspiration in the orientation toward the left of the Danish Social Democratic security policy: "Large parts of the items on the agenda which the Social Democratic Party has had adopted by the Folketing were written on the basis of drafts from the left wing of the West German Social Democratic Party" (WEEKENDAVISEN 16 August 1985), in a commentary sent from Australia, where the minister was traveling, the foreign minister went a step further and accused Lasse Budtz of pursuing a foreign policy on Soviet conditions. "He is now stating openly what he has recently



been hinting increasingly clearly, viz. that Denmark's foreign policy may conceivably be based on statements from the Soviet Union," the foreign minister said, adding, according to the special correspondent of RITZAUS BUREAU, "It is a clear breach of the security policy that is based on Denmark's NATO membership. That is why we must demand a clear reply from the leadership of the Social Democratic Party: What is the policy of the party? Are they serious in supporting Danish membership in NATO or do they intend to continue along the road which Lasse Budtz has been allowed to stake out--a road which clearly takes Denmark increasingly farther away from our allies in NATO."

Here the foreign minister was clearly on a par with his prime minister who, as is well-known, has not always reacted to the Social Democratic teasing and obstructions in the security policy area with the same quickness of temper as the leader of the Danish diplomatic body.

This time, however, there was no tactical evasions in the prime minister's statements. Poul Schluter reacted immediately to Lasse Budtz's statement: "To Norway and Denmark, such a step would involve our unilateral withdrawal from the total defense strategy of NATO. The development of a Nordic zone has to be based on guarantees from both superpowers. We cannot be a member of NATO and, at the same time, conclude a unilateral treaty on our security policy with the Soviet Union. In the course of time we would invariably become increasingly dependent upon the Soviet Union, and with an isolated agreement with the Soviet Union, the Nordic countries would get into an extremely weak position," Poul Schluter told JYLLANDS POSTEN.

How Anker Jørgensen will crawl back from the situation in which his security policy spokesman has put him is actually not of any interest, for Poul Schluter who uses good tactics will undoubtedly leave several exits open for his opponent.

However, the matter is not good for Denmark's reputation abroad and for our position as allied in NATO. No matter what the outcome becomes.

We have hitherto been able to maintain a reasonably good reputation in NATO, even if we wrote the rather famous footnotes under the orders of the majority of the Folketing, and although we ignored even well-intentioned warnings such as the undiplomatic shot fired across our bows by the British minister of defense, Michael Heseltine, in his speech during his visit to Copenhagen some months ago (reported in the editorial of WEEKENDAVISEN on 7 June 1985).

The Danish reservations have not, of course, always been Danish alone, but often European, though in a special Danish form. So far, we have, indeed, been able to stay away from footnotes in connection with the strategic defense initiative of the United States, the SDI.

However, in view of the present conduct of Budtz in the position which he still occupies, it will become difficult explaining Denmark's position abroad.

So far, the limit to the government's patience was set in connection with the reinforcement agreement. If they had touched it, Schluter would, in his own words, have had to take the parliamentary consequences of the challenge.

A need has now been disclosed to have our position defined in an equally fundamental area. In the opinion of the Social Democratic Party, is Denmark as a member of the NATO alliance in a position to take independent action in its relations with the Soviet Union?

The question which is a logical extension of Lasse Budtz's hitherto campaign became topical as a result of the Budtz quotation in JYLLANDS POSTEN at an entirely absurd point of time.

The culmination of the Budtz line of thought comes at a time when the fairly new ambassador of the Soviet Union in Copenhagen informally intimates that the Soviet Union has abandoned the idea of splitting Western Europe from the United States, for which reason they are now aiming at a dialogue between Washington and Moscow directly and do not attach the importance to the peace movement in Western Europe counted on by the movement's own members.

It comes at a time where the Soviet deputy foreign minister at a recent visit to Copenhagen nevertheless attempted to take the opposite line in that, on two occasions during his meeting with the Danish foreign minister, he took the occasion to state that Denmark ought to assert an independent position within NATO.

It comes at a time where, with the help of the KGB and the Armed Forces, Gorbachev has consolidated his position of power more rapidly and more strongly than any Soviet leader since Stalin; it comes at a time where the formulation of the Soviet foreign policy is shifted to an increasingly noticeable degree from the Soviet foreign ministry to the international secretariat of the Central Committee; at a time where the central power apparatus is given the task of taking a firmer hold of the economy, and where Eastern Europe is being disciplined, which especially affects the relatively independent economic course that has been pursued in Hungary.

At this time where it is important to adhere to the position that the Danish foreign policy conforms to a European framework and must continue to do so; a time where the EC has arrived at the crossroads where the majority, including Great Britain, will choose treaty amendments involving a more flexible and efficient cooperation with a view to creating a really internal market, and which codify an already existing political agreement on which Denmark will have to take a position before the summit meeting in December since an even more precise framework for the reforming efforts within the EC may be expected in December before the chairmanship passes into the hands of the Netherlands.

It comes at a time where the United States had decided to reactivate its position within the UN rather than leaving the world organization to its own devices in its dealings with developing countries; and at a time where the third-world majority within the UN has recognized the global economic facts and the necessity of primarily cooperating with the United States and a Western Europe which may contribute to the deideologization of the Third World but is hardly able in the foreseeable future to emerge as the third superpower of the world.

At this time where the situation of superpower politics is so complicated and controversial and more difficult to handle than ever before, there is--not least in Denmark--a need to recognize that there is no scope in practical politics for two power centers in the cooperation of the democracies, and there is no room at all for the new simplification, if not to say oversimplification which has far too long been advocated by Lasse Budtz.

On the contrary, it is now a question of counteracting the negative trend which--to use the words of Jean-Francois Revel--indicates that "the democratic civilization is the first civilization in history to blame itself for the efforts on the part of another power to destroy it."

Lasse Budtz belongs to this category of defeatist Europeans who undermine the Atlantic alliance.

Denmark needs foreign policy experts who are capable of handling intricate issues. The man let loose by Anker Jorgensen on the arena of high politics does not belong to this category.

It ought to be time for us to be able to say: Goodbye Budtz and thanks for leaving.

7262

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POLITICAL

DENMARK

# CP NEWSPAPER'S EDITOR RUMORED TO QUIT POST IN PARTY DISPUTE

Copenhagen INFORMATION in Danish 31 Aug - 1 Sep 85 p 22

[Text] But he denies it. Internal concern about journalistic course.

This is a piece of news which has already been contradicted: the chief editor of the Communist daily LAND OG FOLK has decided to quit his post.

It is taking place discreetly. Not in anger and patent-leather shoes but in felt slippers.

According to information given to INFORMATION, the leadership of the Communist Party of Denmark have been informed of the decision, but there is agreement within the party and newspaper leadership to conceal it until after the municipal elections on 19 November.

Gunnar Kanstrup himself denies that such a decision has been made.

"I am dumbfounded. I would never dream of such a thing. Where on earth did you get that from?" he said to INFORMATION.

## Disagreement

The rumor of Kanstrup's resignation emerges after a long time of dispute in the editorial office. The dispute is between two wings who disagree on LAND OG FOLK's editorial course and, in a wider sense, on the role of the Communist Party of Denmark in the political life of the country.

Gunnar Kanstrup has been subject to increasing pressure from some of the members of the editorial staff who want for LAND OG FOLK to be more of a newspaper than a mouthpiece for the central committee of the Communist Party of Denmark.

Underlying this dispute is widespread dissatisfaction with "the third floor," which is the name given to the party leadership on Dronningens Tværgade.



Under the leadership of party chairman Jørgen Jensen, the Communist Party of Denmark has experienced an almost continuous setback. Jørgen Jensen has supported former printer Gunnar Kanstrup in the dispute on the journalistic line. Kanstrup is described as a stubborn man but a poor newspaper man.

#### Departed

The dispute within LAND OG FOLK has brought about the resignation of one of the most prominent political correspondents of the paper. John Wilken, news editor, has just left the paper after a number of clashes with Gunnar Kanstrup. Wilken was previously a correspondent in the German Democratic Republic, for many years a reporter at Christiansborg [Danish parliament] and secretary of the parliamentary group of the Communist Party of Denmark.

Gunnar Kanstrup hit the nail on the head in an internal conflict when he refused to pay a trip to Greenland for John Wilken but gave another trip to his editorial colleague Erik Andersen.

The same Erik Andersen, incidentally, is mentioned as the temporary successor of Gunnar Kanstrup. He is a member of the editorial leadership together with Gerda Kristensen, a former activist of the Danish Communist Youth Organization, who, for reasons unknown, has dropped her first name Karen.

7262

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POLITICAL

FINLAND

# JAN-MAGNUS REJECTS CHARGES FOREIGN POLICY TILTING TO EAST

Helsinki HELSINGIN SANOMAT in Finnish 1 Sep 85 p 9

[Article: "Jan-Magnus Jansson: No Tilt to East During Koivisto Term"]

[Text] Professor Jan-Magnus Jansson does not agree with the claims that Finland's foreign policy has tilted "a bit to the east" during the term of President Koivisto. Jansson sees the situation as broader and more complex.

He says in MAAILMA JA ME magazine that the world situation has essentially changed since Kekkonen's era, when we were living in a gentler time.

"When Koivisto became president, we were living in a time when international tension was again increasing. In this kind of situation it is natural that the basic roots of Finland's foreign policy become emphasized, especially its relationship to the Soviet Union," notes Jansson.

Jansson explains the difference between the activism of Kekkonen and Paasikivi, for his part, as due to Kekkonen's personality and to the new situation of Finland after he became president. "While in Paasikivi's actions caution was emphasized, it was typical for Kekkonen to see Finland as the healer of international politics, a promoter of peace," he says.

Furthermore Jansson surmises that the 1930's were a turning-point in the political thought of Urho Kekonen, who will be 85 next week. Jansson thinks that Kekonen's separation from fascism laid the groundwork for his foreign policy philosophy and the fight against fascism influenced his later activities more than people today realize.

12688

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POLITICAL

FINLAND

#### AGREEMENT SIGNED WITH VIETNAM TO REPAIR HANOI WATER SYSTEM

Helsinki HELSINGIN SANOMAT in Finnish 3 Sep 85 p 10

[Article: "Water to the Vietnamese with Over 10 Million. Finland Fixes Hanoi Water System"]

[Text] Water is a day-to-day problem for the almost million residents of heavily populated Hanoi. This summer Finland has begun to improve Hanoi's water supply, using cooperative development funds. A foreign ministry press conference in Helsinki explained that Finland is placing 120 million markkaa into the project over the next 3 years.

#### Scant and Dirty

A Vietnamese mother in the capital washes the vegetables and her children with polluted water dripping from a hydrant on the street. Water leaks from the hydrants onto the streets around the clock, and people line up by them even in the middle of the night.

The wars which lasted decades left their mark also on Hanoi's water works. Pumps dating from the times of colonial power give water when they can, water pipes leak despite bitumen patches, the groundwater wells break down too quickly and the water pollutes easily in the worn-down water-pipe system, spreading disease.

Finland and Vietnam undersigned an agreement on 11 June to fix and enlarge Hanoi's water system over the years 1985-87. Finland will invest 10 million into the project this year, 51 million next year and 58 million in 1987. Vietnam will take part in the water project with about 50 million markkaa.

#### Development Aid for Basic Needs

Although the cooperative development project is technical engineering work, it serves the basic needs of Vietnamese mothers and children.

On the basis of a bid competition, the foreign ministry chose a group of businesses, Maa ja Vesi Oy, Ekono Oy and Yleinen Insinööri-toimisto, to carry out the contract. Deveco consulting office, which is owned by Maa ja Vesi and Ekono, planned the task.

The first six Finnish experts are already in Vietnam getting the construction of the Finns' apartments underway. During autumn 15 more experts will travel to Vietnam. Their families will follow at the beginning of next year. Approximately 500-700 Vietnamese will take part in the repair and building work.

During the first year the Finns together with the Vietnamese will inspect Hanoi's waterworks general design, in the course of which decisions will be made, for example, on the construction of new pipelines.

The improvement of Hanoi's water supply will be attempted mainly through repairs and innovations. An estimated half of the water is wasted through leaking pipes, broken valves, faucets, fire hydrants and tanks. Only about a third of Hanoi's residents gets their water through the distribution network; the rest use the hydrants on the sidewalks and yards.

The Finns will build two new water supplies and repair eight existant ones in Hanoi. Hanoi gets its water from a generous layer of groundwater beneath the city. It is 40-70 meters deep.

#### Time Consuming and Large

The Finnish head coordinator of the water project could not project the length of the task. In the foreign ministry's cooperative development office it is believed that there is enough repair and renovation to be done on the Hanoi water system to last beyond the currently planned three years.

While the Finns and the Vietnamese build and repair the pipes and the pumps, the U.N. development program UNDP is guiding the Vietnamese on using and maintaining it and conserving water.

Kelkka is not promising the Hanoi residents potable water directly from the tap even after repairs worth millions. "They will have to boil their drinking water as they do now."

In the coming years Hanoi's water system will swallow up the development funds which Finland has granted Vietnam. Just as large individual projects are underway in Egypt. The most expensive cooperative project until now has been the ship-repair dock in Pha Rung, Vietnam. The dock was completed in the beginning of 1984 and next year it will be left completely in the hands of the Vietnamese.

12688

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POLITICAL

FRANCE

DEBRAY: ESPOUSING SAME CAUSE WITH NEW WORDS

Paris EST & OUEST in French Jul-Aug 85 p 36

[Article by Denis Lecorbenois: "Regis Debray\*: Candid or Optimist"]

[Text] Saint Just said in 1973: "If anyone ran around in Paris saying: 'We need a king!' he would be arrested and would disappear immediately. If anyone would dare to say in a democratic society: 'let us restore tyranny!' he would be sacrificed. Then what must those people do who do not dare to speak like this? They must dissemble."

Does Regis Debray dissemble? The fact is, not being able to cry out in any society of intellectuals: The USSR is right, let us do what it demands! He devotes himself to advocating the same conclusion (let us weaken the Atlantic Alliance, let us oppose the intentions of the United States, let us emphasize French speaking groups, that is Vietnam etc.), with merely different premises (communism is the world's sick man, moreover France is defending itself very well all alone and--this is a literal quotation--"Would the occupation of Western Europe destroy the Soviets from the inside?")

In fact, it is not very probable that R. Debray is consciously seeking to aid the USSR, rather he is deluding himself in a book crammed with news, references, quotations from the most specialized works (not without complacency sometimes: "I leafed through the "Who's Who in China" in Peking...) so that he cannot be accused of ignoring the facts which refute it: they are

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\* Regis Debray, "Les Empires contre l'Europe," Gallimard Publishers, Paris 1985, 364p, Fr 110

there also--but in a section, in the background of an explanation glittering with formulas which make you forget the very principle of causality.

Rhetoric hides sophistry, like flowers the serpent. The Atlantic Alliance was concluded in 1949; since 1949 the USSR has not tried to invade Europe; consequently the alliance was not necessary. An indisputable reasoning since "it is impossible to indicate why an event has not taken place." And that is it for the past. As for the future, the same reasoning: the Soviet Union's conquests in Europe were made possible by the circumstances of the last war. These circumstances will not recur; consequently the USSR can no longer conquer anything in Europe. Thus the general staffs who prepared the last war reason.

Moreover--and here R. Debray, ceasing to be original, rocks us to sleep with a very old lullaby--the USSR is only Russia, with just some additional assets thanks to communism: "To attribute this historic appetite to Marxism-Leninism is no more reasonable than to explain lynching of blacks in Alabama by monopoly capitalism." It is fortunate for the blacks in Alabama, but unfortunate for the Poles that this parallel is false.

The conclusion of all this is that, not having to fear the USSR and communism, France must beware above all of the United States (despite his liking for French-speaking groups, R. Debray always says "the U.S.A." and never "the E.U.") its influence and its encroaching alliance.

And why does R. Debray recommend precisely the policy of separating Europe and the United States which is now the main goal of Soviet diplomacy. A sole explanation: like Pangloss' pupil, R. Debray suffers from hopeless optimism.

That philosophy is unfortunately not the one most suitable to outline foreign policy directives.

8490  
CSO: 3519/284

POLITICAL

FRANCE

GOVERNMENT DISTRIBUTES PROPAGANDISTIC VIETNAM VIDEOS

Paris EST & OUEST in French Jul-Aug 85 pp 25-26

[Article by Alain Riviere: "Correspondence about the Indochinese War"]

[Text] We have received from one of our subscribers, Alain Riviere this analysis of two videocassettes about Indochina and the Vietnamese War, cassettes distributed by the French Ministry of Education to certain organizations such as municipal libraries, the Georges Pompidou Center, youth and cultural centers etc. Mr Riviere is a teacher. He was born in Laos at the beginning of the thirties and he concluded part of his secondary studies in Saigon.

...I was filled with indignation and disgust about two videocassettes: "Ho Chi Minh, the condemnation of the colonial system" (produced by M. L. Derrieu and M. Ferro and "Guerrilla, Indochinese War (1945-54)" by J. Ferro. These videocassettes, each about a quarter of an hour, which belong to Hachette Publishing House and Pathe Cinema are distributed by the Ministry of Education.

In one case as in the other, it involves not historic documents, but political documents reporting some of the most virulent and antiFrench topics of Vietnamese Communist propaganda, without the least revision and in an ultrasimplistic manner.

The first edition, "Ho Chi Minh, the condemnation of the colonial system," really only consists--aside from a few remarks of Francis Garnier and Albert Sarraute--of a panegyric of Vietnamese Communism by its founder Ho Chi Minh, along with a systematic disparagement of the French contribution in Indochina.

Colonialization is shown from the beginning in a summary as a system of conquests and pillage, then as a picture of ruins: "Indochina after two wars, first against France, then against the United States." Thus for the producers of this "cassette" Indochina is reduced to the Vietminh, which became the Viet Cong, and the Hanoi government. We really wonder by what miracle the French troops with very limited means and so far from their homeland, were able to hold out until 1954 against such "unanimity."

One then alludes to "peace" (sic), "vitality," "perfection," which characterized Vietnamese civilization before the conquest. Not a word about the piracy (from the North to the South), wars, the bloody despotism of emperors and the absolutism of mandarins... Strangely "nostalgic" and "reactionary" remarks appear in a similar context. Then with the arrival of the French locusts, it is the traditional and ultraconcise picture of the devastation of a country: plundering, taxes, forced labor, work to the extreme, repression. Not a word about the social laws which controlled the employment of labor on the plantations or the huge civilizing effort carried out in 20-30 years: highways, bridges, dispensaries, hospitals, Pasteur institutes etc...; city planning which, at the time, was ahead of that in France (as in Saigon). The description boils down to one sentence: The Annamites, in particular, the peasants live in poverty, while their tyrants live off the fat of the land."

One refers in passing to education, wretched and observing, on the secondary level, the most abject discrimination: (a student at the Chasseloup-Laubat Lycee in Saigon, I personally did not experience the least discrimination.) But one carefully ignores the University of Hanoi, the French Far East School, the Fine Arts School in Hanoi, the Oceanographic Institute, the Agricultural Research Institute, the geographic, geological and meteorological services and the Pasteur institutes which we have mentioned above.

And, of course, not a word about the almost complete security which prevailed then in Indochina, for the one and only time in the country's history or about French protection of Cambodia and Laos.

We learn, in passing, that the rickshaw is a contribution of colonialism in the Far East, a degrading invention apparently reserved for the Whites only (while the Vietnamese of all classes were never deprived of it, or of the cycle carriage, as photos from Saigon show).

Finally, the pictures which were selected, old-fashioned and caricatural to their liking, only show parades, speeches and banquets. In short, the "colonialists" really took it easy. The only barrier against this corruption, communism incarnated by Ho Chi Minh, without the least reference to any other form of nationalism; without the least allusion to the much more liberal policy of the forties, a development which forever compromises the Japanese attack on 9 March 1945 and the Vietminh's seizure of vast areas of the country. We have the right to the Baku Congress on the foundation of "the International." And they mention seriously the slogan of the Vietnamese Communist Party at the time of the Popular Front: "Rice-Peace-Freedom." It is interesting to hear the refugees from present day Vietnam, in particular the "Boat-People" mention these ideas (especially of freedom). Unfortunately, these films do not show us the problems of Vietnam after the colonial period!

But it is in the description of the Indochina of the Second World War and the events which will follow that these cassettes are especially discredited.

We are informed in two sentences that France "capitulates" to the Japanese in 1940, then that, on 9 March 1945, "the Japanese disarmed the French troops." Of course, they do not say a word about the battles fought on the Tonkin frontier in 1940 (Lang-son etc.); about the struggle against Siam aided by the Japanese; about the French naval victory of Koh Chang on 17 January 1941, over the Siamese fleet: that the French never "capitulated": The administration of the army and institutions remained in the hands of the French, with the Japanese limiting themselves to maintaining fairly limited garrisons (except at the end). Even though France would have wanted to really fight the Japanese in 1940, with few troops, obsolete and insufficient weapons, and ammunition for 15 days, without any hope of aid from the Anglo-Americans, the French Army in Indochina would have been crushed to no purpose.

Not a word either about the French resistance to the Japanese occupier or the prisons of the "Kempetai," the Japanese military police. One can add that, on the evening of 9 March 1945, facing the Japanese attack, the French fought and sometimes the battles lasted 3 months. In some cases (thus at Lang-son) the garrisons were massacred when they had to surrender, after running out of ammunition.

Marx in let it be praised, the Vietminh, organized in 1941 by Ho Chi Minh is going "to fight against Japanese fascism and its accomplice, colonial fascism." The proof that it succeeds in



defeating the two adversaries with a single blow is that the surrender of Japan, 2 September 1945, coincides with the date of Ho Chi Minh's "declaration of independence" (a fact mentioned twice). It is useless to point out naturally in this context, that the Vietminh was equipped almost everywhere by the Japanese (in particular, by the criminal deserters of the war) and that without the attack of 9 March 1945, it would not have had any great chances of succeeding.

The second cassette "Guerrilla, Indochinese war (1945-1954)," is merely the illustration, most of the time by pictures of Vietminh propaganda, of Ho Chi Minh and Giap's declarations. Among other things, let us mention the surprise attack of 19 December 1946 against General Moliere's troops, an act of treachery accompanied by massacres of civilians, called "incidents" here without any further ado.

The epic culminates with the surrender of Dien Bien Phu and scenes which, it is obvious, were filmed after the event with exhausted French prisoners who were forced to play this role and the participation of Soviet film producers. Everything is, as it should be, accompanied by "patriotic Vietnamese songs."

We can mention, regarding the above, a Vietnamese nationalist author, Nguyen Tien Lang, who in his work "The Ways of Revolt" (Amiot-Dumont, 1953, p 153) writes mentioning the Vietminh intoxication: "All contemporary history was rewritten with a pen steeped in bitterness and blood. From now on nothing found favor in the eyes of the new historian. Everything which the Whites had done was presented as tarnished with a sort of original sin. The evil which may have been done was exaggerated a hundredfold. The good which had been done was denied or it was proved that it had only been accomplished for a sordid, personal interest. If the French had introduced medical science in Vietnam and had fought epidemics, it was "to have good coolies, healthy slaves" whose work was to produce more for them. That is only to give an example; it was the same for everything which the 'oppressors' had done. Nothing should remain of it, except vengeance." The doctrine which becomes clear from the two films studied here is even more concise than this dialectic of hate.

For the sake of completeness, let us point out that Mr Ferro has produced other "historic" works. They are also available in the audiovisual sections of public libraries. Let us mention: "The last Colonial Conquests," "Tunisia, Morocco, Struggle for Independence," "1939-1949, the Three Stages of the Chinese

Revolution," "From the KKK to the Black Panthers," "From Marx to the World Revolution," "Algeria 1954, the Revolt of a Colony" etc.

It is to be hoped that we may one day see this production withdrawn and replaced by historic documents, which are capable of taking into account mitigating circumstances, or at least the lying propaganda films, like the editions which I have attempted to analyze.

8490

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POLITICAL

ICELAND

COLUMNIST VIEWS LATEST EFFORTS MADE BY ANTIBASE MOVEMENT

Reykjavik MORGUNBLADID in Icelandic 22 Aug 85 p 9

[Commentary by 'Staksteinar': "Rain on the Antibase Movement's Parade"]

[Text] The Antibase Movement planned their so-called peace encampment a while back, but, as has been apparent on previous occasions, few saw the necessity of heeding the call, and the encampment was sparse. This is not the first time that the plans of the antibase activists have not panned out, or that the movement's hangers-on have been few. Today's 'Staksteinar' discusses this failing movement, which fights for goals which have never even been on the agenda for the majority of Icelanders.

"Peace Encampment"

The Antibase Movement could certainly wish for better days. Think of how it used to be, when several dozen, or even a hundred or more radicals and leftists were always available at the beck and call of the leaders of the antibase activists. Marching from Keflavik to Reykjavik was no big deal in those days. Nowadays, though, the few folks who are still involved in the movement have to be content with strolling up from Hafnarfjordur.

Recently the antibase crowd called for a so-called peace encampment at the Keflavik airfield. Even with THJODVILJINN trying to get people to look forward to the event by talking about "camping under the stars" and offering grilled puffins as a special treat, it all came to naught. The Antibase Movement did not succeed in what it had planned, namely: to breathe new life into the organization; to entice more people, in the name of peace, to join the movement; as well as to lure back those who no longer were in the mood to take part. Saturday, 10 August, was the last day of the "peace encampment," and a march was held from Hafnarfjordur (not Keflavik, where the tents were pitched--that was too far to walk) to Reykjavik, followed by an outdoor meeting at Laekjartorg. And the antibase activists must have been made aware once again that few people were interested in their position, and that even fewer were inclined to join their ranks. The fervor that once was typical of many antibase activists has burned out.

## Movement Tired Out

Maybe the supporters of the Antibase Movement should be thinking about changing the name of their organization, as well as its policies, since it is clear that they have a rocky road ahead of them, and that their concerns are less relevant to the general population than they have ever been.

It is a fact that the Antibase Movement is not only a tired movement, but an elderly one as well, out of step with the spirit of the times and with reality. It is also obvious that it will remain so, since its supporters are not likely to change their minds, as many of their former comrades already have, those who now see the necessity for cooperation with the Western nations and their defense facilities in Iceland.

The Antibase Movement, through the years, has been associated politically with the People's Alliance Party, and it is perhaps a sign of the times that both of these movements are on the verge of dying out--both as regards relevance and number of supporters. Nor is it likely that Eyjolfur will be getting better any time soon. Internal uncertainty within the People's Alliance and a lack of spirit and discernment among the antibase activists are the significant factors here.

The attempts of the antibase activists to bring their campaign under the honored rubric of "peace" have failed. In their desperation, they have invited a number of foreign visitors in the past years, whenever something big was on the agenda. These visits, which have been intended to bring some sparks back into the dying coals, to bring up the body count at encampments and marches, have not been as successful as they should have been. At best, the activists have increased their number by as many people as came to hear the guest speaker in each case. It has been some consolation to them, though, that our national media, in most cases, have paid a great deal of attention to these visitors, as we have seen.

## Age of Radicalism is Over

In past years the antibase activists have been able to count on the support of certain groups, university students for instance, in furthering their activities. But no longer. The Student Council at the University of Iceland, which for a short time was radically in opposition to both the Defense Force and to NATO as a whole, is no longer able to misuse the names of the students and the University of Iceland in this way. The age of radicalism is over here, just as has been the case in many places abroad. And the Union of Icelandic Students Abroad (SINE) has become too weak to show any real support. Ever since our Icelandic students abroad were given the freedom to choose whether they wanted to be members of SINE or not, the organization has not had a leg to stand on in its activist efforts.

The antibase activists' parade is definitely being rained on. Former tried and true supporters of the movement, who have had no affiliation with the People's Alliance or other leftist or middle-of-the-road parties, have proven deaf to the call, showing that they have had enough. Moreover, many who

support the mother party have now expressed opposition to the antibase activists, if we can believe the opinion polls.

The Antibase Movement will probably be making desperate attempts to get under full steam again, and it ought to be informative to watch them. But it is not likely that they will be changing their campaign techniques, since their long-term members are highly experienced in making protest placards and well prepared for marching and camping. Probably they will keep on chipping away at the same old ice block, right up to the bitter end.

9584

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POLITICAL

SPAIN

BREAKAWAY SPANISH CP REJECTS UNIFICATION MEETING

PM051049 Madrid ABC in Spanish 29 Aug 85 p 16

[OTR report: "Ignacio Gallego Rejects Rapprochement With Carrillo"]

[Text] Madrid--Ignacio Gallego's Communist Party will not attend the national meeting which, at the proposal of the PCE sector headed by Santiago Carrillo, will discuss 19-20 October the unification of all the Spanish communist parties. This stance will be announced by Communist Party Secretary General Ignacio Gallego at a rally during the festival which that party will hold 13-15 September in Madrid.

A member of the pro-Soviet Communist Party's Secretariat has described this national meeting for the communists' unification as "electioneering horse trading," since "unity depends not on an electoral problem but on an ideological, political, and organizational understanding." This same source emphasizes that "so far we have been made no formal offer," and so "we have not discussed a matter of which we are acquainted only through the press."

According to the same source, the terms which Ignacio Gallego's Communist Party demands for any kind of agreement involve the principles formulated at the Communist Party's constituent congress, such as Marxism-Leninism and democratic centralism. The PCE sector headed by Santiago Carrillo acknowledged through a Secretariat member that the increasing support which Gallego's Communist Party receives from the CPSU, expressed again during his latest visit to the USSR this summer, "could be interpreted as a factor which impedes Ignacio Gallego's acceptance of our proposal of unity." At the same time, "the USSR's increasing support for Ignacio Gallego coincides with the distancing between the Soviet Union and the PCE," according to the Gallegoist sector.

This aspect is confirmed by PCE secretary for organization Francisco Palero, in whose opinion "our relations with the CPSU have been cool for quite a while"; a fact which he connects with the greater Soviet rapprochement with Gallego. According to Palero, the PCE's proposal to hold a meeting with the CPSU leaders has so far received no reply, and there is no foreseeable date for this to take place.

The PCE's proposal for setting up a platform which would unite left-wing groups and social movements with a view to the elections is still so far without a reply, whether favorable or unfavorable. According to Francisco Palero, "the proposal is still being discussed," although without any tangible outcome in a community such as the Galician [autonomous] community, which has elections very close. Nor has the will to negotiate expressed by Progressive Federation Chairman Ramon Tamames during his recent visit to Galicia resulted in any kind of agreement with the PCE. However, the PCE secretary for organization emphasized that the negotiations with Tamames "are of an ongoing nature."

From September, the PCE's activity will center on the development of a platform for the creation of a "charter on freedoms" which would unite professionals, writers, artists, and other sectors.

CSO: 3548/1

POLITICAL

SWEDEN

PAPER CITES CONCERN OVER SOVIET VIOLATIONS AROUND GOTLAND

Stockholm DAGENS NYHETER in Swedish 4 Sep 85 p 2

[Editorial: "The Summer Incident in Gotland"]

[Text] Soviet violations of Swedish territory cannot escape notice, and there are two chief reasons for this: one is that Soviet-Swedish relations are still touchy, and the other is that Moscow makes it a practice to deny military border incidents. And in obvious cases--violations of airspace--a couple of the comparatively few previous incidents involving Warsaw Pact countries have been different in character than those caused by, for example, NATO countries or ourselves.

What happened immediately after Midsummer Day, according to Swedish sources, was that a Soviet bomber flew straight toward Gotland and violated Swedish airspace for just over 3 minutes before returning to Soviet territory. During the same quarter, as usual, there were considerably more NATO violations--nine in all--but none of them was said to have involved a flight aimed directly at Sweden. And all of those cases were cleared up through diplomatic channels.

All 10 incidents were mentioned in three lines in the latest quarterly report by the OB [Supreme Commander of the Armed Forces], and we in the mass media were asleep, even though there was mention of an incident "east of Gotland."

According to Pierre Schori, under secretary of state for foreign affairs, all 10 cases fell "more or less into the same category." Our authorities have long felt, of course, that they should not contribute to "alarmism." All the same, the intrusion off Gotland should have been regarded as one of the "more serious individual violations" which, according to a decision made last year, are now supposed to be made public as well as being subject to government measures. The obvious possibility that the matter would be prolonged by Soviet denials provided further justification for announcing the incident quickly.

Apart from its expression of regret over U-137's intrusion in Gase Bay, the Soviet Union has consistently been unsympathetic toward accusations of border violations. That superpower's obstinate attitude fits in poorly with its constantly proclaimed desire for good relations with its neighbors. One must

hope that Sweden's initial--and, in our opinion, mistaken--discretion did not lead the leadership in Moscow to think that it could again ignore a Swedish complaint about an intrusion.

Incidents that are distressing in themselves are only made worse by the traditional Soviet habit of naysaying. Far-reaching conclusions can be left open for now. But Sweden persists in demanding greater respect.

11798

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POLITICAL

SWEDEN

DIPLomat AUTHOR'S STUDY ON SOVIET MEDIA TREATMENT OF COUNTRY

Stockholm DAGENS NYHETER in Swedish 16 Sep 85 p 2

[Article by Per Jonsson]

[Text] Most of us have limited knowledge of how voices in the Soviet press are dealing with the "Sweden of the submarine intrusions." But such knowledge would no doubt provide us with firmer ground to stand on in assessing Soviet views and intentions concerning Sweden.

There are plenty of examples to show that all Soviet media are not presenting the same picture of Swedish events and that the pictures that are presented can change drastically in a short time. The other day, for example, the party newspaper PRAVDA praised DAGENS NYHETER for its independence with respect to the United States, whereas just a couple of months ago, the press agency TASS was accusing our newspaper of being a tool of the CIA!

A standard example of analysis of the "Soviet press debate" is last spring's doctoral thesis by political scientist Lena Jonson. It is concerned with the fact that the daily newspapers PRAVDA, KRASNAYA ZVEZDA, and SOVIETSKAYA ROSSIYA comment and report on the FRG in quite different ways. As far as I know, a similar systematic study of what the Soviet press writes about Sweden does not yet exist.

But a respectable substitute has just been published. The Soviet media's treatment of Sweden in 1983 and 1984 has been gone over with a fine-tooth comb by diplomat Orjan Berner, and he has reported his impressions in the excellent annual "Peace and Security, 1984-1985," published by the Swedish Institute of International Affairs (some of the conclusions were also presented earlier this year in Berner's book "The Soviet Union and the Nordic Region").

The fact that the Soviet press is consistently writing friendly and positive things about Sweden these days--especially since the visit by Deputy Minister of Foreign Affairs Maltsev--would probably be described by Berner as a return to normal.

This is because his overall assessment is that as a neutral nation, Sweden had received almost nothing but praise until the submarine incidents and that the



"Russians would undoubtedly have preferred to see that pleasant atmosphere continue." Berner also maintains that no really aggressive Soviet campaigns against Sweden were ever started except when the USSR felt that it had been clearly provoked. On the contrary, "every opportunity was taken to publicize positive Swedish statements when they were made."

Negative Soviet publicity concerning Sweden after the report by the Submarine Commission in April 1983 was directed mainly at the mass media and the "appropriation-hungry military." Swedish governments, and especially the Palme government, were treated well whenever an opportunity was provided. And according to Berner, an article by IZVESTIA commentator Alexander Bovin that was viewed in Sweden as clearly threatening (it was also published in DAGENS NYHETER on 28 March 1984) seems in fact to have been intended to reduce tensions between Moscow and Stockholm.

Swedish news consumers with good memories probably do not really recognize Berner's reading of the Soviet press during the years when submarines were causing the greatest tension. In some quarters, his version will probably be dismissed with the argument that some people read PRAVDA like the Devil reads the Bible. And it is indeed true that for propaganda purposes, the officially controlled Soviet media usually leave the door open for favorable interpretations even when the main message is the exact opposite.

But in any event, here we have a serious attempt by an experienced diplomatic observer of the Soviet Union to assess a broad range of press material, not just isolated news dispatches. As long as the Soviet media's offerings on the subject of Sweden have not been subjected to full-fledged scientific study, Berner's account will probably have to be included among the most important contributions in this area.

But even detailed counts of column inches in the newspapers and interpretation of their content based on wording are not always enough to ascertain the Soviet Union's real views and intentions. For example, Lev Voronkov, the expert on Scandinavia, created a big stir with his blunt writings about what Sweden "ought" to do to contribute to a Nordic nuclear-free zone. According to Berner, Voronkov's book on the subject--published last year--was repudiated in official Soviet quarters.

I wonder! During a tour of Moscow's bookstores last fall, I myself found no fewer than four different publications on a Nordic nuclear-free zone, all with the same message and authored by the same Lev Voronkov. On the other hand, there was nothing at all by other writers on the zone issue.

What this means, in all likelihood, is that Soviet citizens, students, and party functionaries who want to delve more deeply into Nordic security policy are expected to accept Voronkov's theses. Including the thesis that Sweden, "for its own good," ought to adopt a "genuine" alliance-free policy--that is, it ought to develop closer cooperation with Moscow on security matters!

It is certainly true that if, as Berner claims, the Soviet press on the whole wants to present a picture of friendly relations with Sweden, that can only be

welcomed. But when it comes to Swedish-Soviet friendship of the kind that is simultaneously being presented to the Soviet citizens as ideal, we say "no, thanks."

11798

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POLITICAL

SWEDEN

## MODERATES DEMAND APPOINTING PANEL TO STUDY VIETNAM AID

### Forced Labor Allegations Cited

Stockholm DAGENS NYHETER in Swedish 27 Aug 85 p 9

[Article by Ingemar Lofgren]

[Text] "Swedish taxpayers are financing forced labor. The Social Democrats are conducting an immoral foreign policy in Vietnam."

This is the opinion of Conservative member of parliament Carl Bildt, who has sharply attacked the government's foreign aid policy during the election campaign.

On Monday the Conservatives called one of the innumerable press conferences of the campaign. It was supposed to deal with the foreign aid policy of the Social Democrats and the government's assistance to Vietnam. Conservative members of parliament Carl Bildt and Margaretha af Ugglas were present.

"The Social Democrats have remained silent and glossed over reports that almost 17,000 women are performing forced labor at the Swedish-supported paper plant at Bai Bang," af Ugglas said.

"For this reason, we want an independent commission with people from Amnesty International and the Red Cross, for example, to be appointed. It will examine the activities of the government and the authorities in this matter and present a report as soon as possible," Bildt said.

### Bad Investment

It was in 1974 that the Social Democratic government decided to begin the so-called Bai Bang project. It has been a costly project over the years--far to costly, according to the Conservatives. The project has become a gigantic bad investment and a waste of Swedish foreign aid, they say.

Reports that the Vietnamese personnel in the project forcibly recruit workers have not made matters better. The same is true of the Vietnamese invasion and occupation of Kampuchea in 1979.

According to the Conservatives, the Social Democrats have set aside democracy and human rights in their foreign aid policy. Promises by Foreign Minister Lennart Bodstrom to do everything possible to correct unsatisfactory conditions at the project merely attest to the laxity and indulgence that have been used, they say.

"I have been surprised by Bodstrom's arguments. He does not even know the difference between an AMS (National Labor Market Board) institution and a Gulag Archipelago," Bildt said.

#### Credibility

It is a matter of credibility in the morality of Swedish foreign policy, according to Bildt. Sweden cannot sometimes forgive and sometimes condemn oppression of individuals in the Third World. This damages Sweden's credibility.

Consequently, if the Conservatives are able to form a government after the elections, they will discontinue aid to Vietnam as soon as possible, regardless of present agreements.

"Somehow it has to go," said Bildt, who believes that the middle parties would agree.

"They speak as we do, although so far they have not voted as we vote."

#### Paper Urges Continued Presence

Stockholm DAGENS NYHETER in Swedish 27 Aug 85 p 2

[Editorial: "Betraying Vietnam"]

[Text] When the Conservatives report on Bai Bang and forced labor in the forestry project at Vinh Phu, it has more to do with the Social Democrats and Bai Bang than forced labor by Vietnamese women. In fact, the latest report from Conservative Party headquarters is called "Forced Labor under Tyranny: Documentation of the Social Democrats and Bai Bang."

The Conservatives conclude that assistance to Vietnam should be discontinued and that an independent commission should examine the actions of the government and the authorities in connection with the Vietnam question. The Conservatives' views on aid to Vietnam are well known. The demand that a commission be appointed is new and rather unusual, however. The Conservatives cannot seriously believe that the Social Democrats should appoint a commission to examine and criticize the Social Democrats.

According to the Conservatives, our credibility demands that we not finance forced labor with Swedish aid. That sounds wise and understandable. The Swedish government has been indefensibly lax toward the Vietnamese regime. It has never demanded forcefully that conditions for the forestry workers be improved. The Conservatives, however, would discontinue aid to Vietnam

regardless of what happens, even if conditions for the forestry workers were to improve.

The party says, on the one hand, that the women who are now performing forced labor could return home after Sweden stops sending millions to Vietnam each year, but on the other hand it says the Vietnamese could take over the Swedish aid project. This must mean that the Conservatives assume that the forced labor would continue after Sweden deprives itself of the possibility of improving the conditions of the forestry workers. In this case, the moral indignation of the Conservatives is limited to the fact that the forced labor is being financed by Swedish aid.

If Sweden is to influence the Vietnamese regime, we should continue to send foreign aid, but aid that is expressly contingent on improvements in the living conditions of the forestry workers. Now both the Social Democrats and the Conservatives are betraying the 17,000 women who are performing forced labor in Vinh Phu.

9336

CSO: 3650/332



MILITARY

EUROPEAN AFFAIRS

# AIR FORCE PILOT SHORTAGE PROBLEM IN NORWAY, SWEDEN COMPARED

Stockholm SVENSKA DAGBLADET in Swedish 29 Aug 85 p 2

[Article by Fredrik Braconier]

[Text] A couple of weeks ago JANE'S DEFENCE WEEKLY, the international defense journal, was able to inform its readers all over the world that the Norwegian Air Force was having great difficulty just getting its planes into the air. The problem is that while it has 68 F-16's--purchased from the United States in the 1970's after stiff competition from the Viggen, among others--Norway currently has only 45 pilots.

A defense force is intended to deter enemies. But an air force that cannot take off because of a pilot shortage undeniably has limited capability in that respect. The situation is scarcely made better by the fact that many pilots are transferring to a civilian airline that is partly owned by the Norwegian state. If the Norwegian Armed Forces cannot even cope with SAS [Scandinavian Airlines System], it is not likely that [an enemy] will feel any great fear.

But we in Sweden have no reason to smile at that true story from Norway. The fact is that our own situation is not radically different. Our predicament can actually be described as worse than Norway's. Our brother country to the west is a member of NATO and does not have to rely entirely on its own capability. Norway's allies are obligated to come to its rescue if the only conceivable enemy attacks.

Sweden lacks such a safety net. Our own defense capability is the basis for our policy of neutrality. It is therefore totally grotesque that the same state-owned airline that has been buying up Norway's fighter pilots should be allowed to plunder what is perhaps Sweden's most important fighting service. Sweden's peace and freedom must take permanent priority over SAS' otherwise legitimate expansion.

It now seems that the problem is, hopefully, on its way to a solution. If so, the solution will not come a day too soon. Informal agreements with SAS and other airlines will limit the number of transfers from the air force. The training of pilots for civil aviation will be expanded, and the pay of air force pilots will be increased.

It is also being recommended in a new study that air force pilots be required to sign a 10-year contract at the start of their training. The pilots have previously opposed such a commitment, and such concepts as "serfdom" have come up in the debate.

But in this case, it can scarcely be regarded as a violation of human rights for a prospective pilot to guarantee his services to his principal for a given period of time.

What is involved is not just any job. Fighter pilots are a vital part of Sweden's defenses, and it takes a long time to replace them. One must be entitled to make demands of those who choose such a career.

Also obvious, of course, is the fact that no organization gains by having dissatisfied personnel. The Military Council ought to consider some of the viewpoints concerning organization and flying opportunities that have come up in the debate about the air force.

The reason for doing so is not just to keep air force officers in a good mood, because even if some of the acute difficulties are resolved, problems of a more long-term nature will remain. In crisis situations, sizable reserves are required to maintain a constantly high level of readiness. Foreign observers have probably been surprised by how few pilots the Swedish Air Force has.

The articles that appeared in SVENSKA DAGBLADET this summer concerning the activities by East European picture salesmen underscore that need. Those salesmen systematically mapped out important defense personnel, fighter pilots included. Their intention can scarcely have to beautify the home environments of those they picked.

At an early stage in an acute crisis, the opponent will try to eliminate key personnel, including those in the Armed Forces. If fighter planes can be prevented from taking off because their pilots have been put out of action, the victory will have been won already on the ground.

In the early decades after the war, Sweden concentrated singlemindedly and successfully on its air force. The depressing experiences of World War II had shown how difficult it was to make up for sins of omission when doing so really counted. In the 1950's and 1960's, Sweden built up an air force that compared favorably with those of other nations--the superpowers excepted, of course.

In recent years, however, the curve has moving downward at an alarming rate. In barely 15 years, the air force has been reduced in size by almost half. Economic problems have delayed the procurement of modern armament for the planes. And now there are the difficulties with the pilots.

In a possible future crisis, there will be no time at all in which to make up for past neglect. We will have to get along with what we have. Further undermining of the air force's strength will directly undermine our ambitions in the field of security policy.

Sweden must have the capability of dealing with intruders both in the air and under the water. We used to have it, and there are no objective reasons why Sweden should not be able to manage it in the future. That is, if the political will exists.

11798

CSO: 3650/348

MILITARY

FEDERAL REPUBLIC OF GERMANY

# NORWEGIAN AIR DEFENSE COMMAND CONTROL SYSTEM PURCHASE WEIGHED

Oslo AFTENPOSTEN in Norwegian 4 Sep 85 p 49

[Article by Terje Avner: "West German Defense Interested in Norwegian Command Control System: KV Order Worth 750 Million?"]

[Text] Kongsberg Vapenfabrikk (KV) is very hopeful that it will sell command control systems valued at 750 million kroner to the West German Defense. An agreement will be made in West Germany within two to three months. "The order could open the door for the sale of the same system to other NATO countries for up to four billion kroner," vice admiral director Rolf E. Rolfsen feels. In Norwegian political quarters positive signals were received concerning German interest in the system.

KV's command control system is the same the Norwegian defense is buying for use with the Hawk missiles. In Germany the system will operate together with a three-dimensional radar developed by the American Hughes concern. The missiles the Germans are using are of the type Roland.

"We submitted our offer in May. We entered into an agreement with the German company Messerschmidt Bolkow Blohm which will be in charge of integrating the control system with Roland. The agreement with MBB opens the way for cooperation with a German radar producer which will produce the Hughes radar under license," Rolf E. Rolfsen tells AFTENPOSTEN.

Kongsberg Vapenfabrikk will deliver 18 units of its command control systems to the Norwegian Defense in 1986 and 1987. The air force has offered to make available one of the units for testing by the Germans.

A potential German order for Kongsberg Vapenfabrikk will mean work for 100 people over three years in the factory. "The order is worth 750 million kroner," says Rolfsen. However, he is optimistic as to the possibilities for much larger orders in the NATO market, in the order of four billion kroner until the year 2000.

"There has been talk for several years regarding a German-Norwegian cooperation in the high-technology area. Here we have a really concrete

project, and in the long run it represents a cooperation with clearly civilian aspects. We do not supply missiles, but data and communications technology at a high level. The package also includes a transfer of American technology to Germany, a transfer which is already a fact in the relationship between KV and Hughes."

According to information received by AFTENPOSTEN the German-Norwegian industrial agreement in connection with the Norwegian submarine purchase in Germany will weigh heavily in favor of KV in relationship to competitors for the German order.

12831

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MILITARY

FRANCE

# PRELIMINARY DETAILS OF PLANNED EPC MEDIUM TANK DISCLOSED

Bonn WEHRTECHNIK in German Sep 85 pp 71-72

[Article by Wolfgang Flume: "The New French Battle Tank: High Firepower and Good Protection"]

[Text] In its May 1981 edition, WT [WEHRTECHNIK] presented the perspectives for a future battle tank--at that time still to be realized as a joint German-French venture. The fact that this program did not materialize is sufficiently well known. While the German Army has meanwhile postponed the introduction of a new battle tank up to the year 2000, the French Army continues to be greatly interested in the commissioning of a new battle tank by the beginning of the 1990's, and, following the German-French debacle, has thus begun a development program for a battle tank of the future under the designation EPC (Engin Principal de Combat, or roughly "main battle vehicle"). WT recently obtained information about the state of this program from the program director, Chief Engineer Georges Dubot, at the headquarters of the Direction des Armements Terrestres (DAT) in Paris-St Cloud. It was ascertained that the program with the testing of experimental carrier vehicles [text rigs] is proceeding according to plan, the developmental phase is to begin in 1986, and the first series-produced vehicles should come off the assembly line from the end of 1991 on.

The program is currently in the final portion of the definition phase. It is being led by the program bureau "Tank of the Future" (Char Futur) within the DAT, which corresponds roughly to our sub-department "Ground" in the armament department plus the KG department in the BWB [Bundeswehrbeschaffungsamt (Bundeswehr Procurement Office)]. The main industrial contractor is the nationalized GIAT with the AMX/APX facility responsible for tank development development and located in Satory. Many additional private firms are working on the development of modules and components, so that all the French firms which are currently supplying parts for armored vehicles will probably also participate in the EPC. EPC or Char Futur--a type designation following the French tradition (AMX-...) has not yet been determined, but giving the tank a name should take place still this year.

Since 1984, several test rigs have been undergoing testing: the first was delivered in May of that year, the second in September. These are undercarriages (with Hyperbar engines and torsion bar suspension having a large suspension capability), the turret is simulated by weights, so that a total mass of circa 50 tons is achieved. These vehicles are not yet prototypes, but designwise they approximate the EPC very closely. But this does not necessarily mean that the series-produced tank must have a torsion-bar suspension, for a hydropneumatic track and suspension are being tested as well in another undercarriage, designated MULET. A fourth test rig (with torsion bar suspension) will be added during the next several months, which will for the first time have a turret. The vehicles are currently undergoing thorough field testing, and in addition selected modules are being tested separately from the vehicles on test stands.

The definition phase is to be concluded next year, so as to permit the immediate commencement of the development phase on the basis of the test findings and the decision of the commander-in-chief of the French Army regarding the concept to be selected. It is then planned to build a total of six prototypes. The first is to be available at the end of 1988, the others will follow 3 months apart. Since at that point alternatives will no longer be undergoing testing and the design is practically locked in, once the development phase begins, these prototypes will approximate the series-produced vehicles very closely. Series production will begin in late 1991, initially at a slow rate--several dozen, a sort of preproduction lot, most likely, even though not called this. The full production rate of somewhat over 100 vehicles per year is not to be achieved until 1994/95. This slow production start-up is allegedly the result of industrial factors exclusively, since in France, at least with armored vehicles, the full production output is always reached only after a certain start-up time.

The production of circa 1200 to 1400 of these new battle tanks to meet the requirements of the French Army is planned. They are to replace the bulk of the circa 30-year-old AMX-30, some of which are currently undergoing combat effectiveness upgrading. Abroad, too, the battle tank should be viewed with considerable interest, for it represents the realization of a completely new design, all the components of which will probably be state-of-the-art, but without the country's having risked in the process--for good reason--the introduction of an unconventional vehicle, whose operational effectiveness might then be disputed.

Even though the EPC does not differ designwise--conventional turret tank with rear drive--from conventional battle tanks, it does incorporate several technical innovations, some of which are applied for the first time to a battle tank. To the extent currently possible, the following can be ascertained:

#### Armament System

Selected was a 120mm smooth-bore cannon CN-120 under development by the Establishment de Bourges (EPAG), which from the standpoint of interior ballistics resembles the 120mm cannon of the AMX-40 that was shown in Satory

in 1985 (and thus also the 120mm gun of the LEOPARD 2 and the M1A1 ABRAMS). Some differences are apparent with respect to the breech mechanism and the recoil mechanism. These were necessary, since for the first time in a Western battle tank an automatic loader is to be employed, which for reasons of geometry alone requires, for example, a shorter recoil travel of the weapon, which led to changes in the buffer and recuperator. The weapon can be reloaded at a depression angle of  $-1^{\circ}$ .

The automatic loading mechanism is being developed by Creusot-Loire. It is a loader with horizontal belt magazine with a capacity of 20 to 24 rounds. This magazine is located in the closed rear part of the turret opposite the crew compartment. Additional munitions, likewise secured against hostile fire and explosions, are located in the hull. The total munitions capacity of the EPC is allegedly circa 40 rounds. The loader has already been tested, also under field conditions, in an appropriately modified turret of the AMX-30, and also the turret of the new test rig will be equipped with this loader.

Because of the loader the EPC has only a three-man crew. The loader was not selected for that reason, however, but rather the following factors were decisive, according to M. Dubot:

--Only in this way can a very compact and thus less visible and more easily defensible vehicle be developed. Particularly the turret height is reduced in the process.

--With an automatic loader, reloading and firing are easier to carry out, also when on the move.

--The 120mm ammunition--with combustible shell casing--is heavy and would thus place great demands on a [human] loader.

--With an automatic loader, a rate of fire of less than 4 seconds can be attained; this can be exploited, for example, when a target must be fired at successively at short intervals.

#### Gunlaying and Sighting Equipment

The design of the sighting and gunlaying equipment was likewise influenced by the desire for a high rate of fire, which is to attain a value of less than 6 seconds for the elapsed time between initial sighting of the target and firing, including gunlaying and aiming, in other words. The turret gunlaying system operates electrically, thus enhances [the vehicle's] protection and survivability (no loss of hot hydraulic fluids when damaged by enemy fire), and in addition it permits more precise and faster gunlaying. And checkouts and maintenance are simpler.

The weapon has primary stabilization, coupled [boresighted] with the weapon is the main target sighting telescope [sight], which is additionally fine-stabilized, however, so as to get a steadier view and thus increase the accuracy of fire, especially while on the move. Needless to say, the vehicle has a laser range finder, as well as other sensors.

The sighting equipment of the tank is very modern: the gunner, aside from the direct-view main sight, is also able to aim the weapon by means of a [TV] monitor, since a camera is located behind the optics of the main sight which transmits the pictures to monitors (separate monitors for the gunner and the tank commander). The thermal image, as well, is transmitted to both of them via monitors--the exact number of monitors in the battle tank has not yet been determined. In addition, the thermal image can be blended into the optics [of the main sight] of the commander and the gunner. The commander has a periscope, of course, the field of view of which can also be shown on the monitors of both crew members.

Also very modern are several elements of the remaining equipment, so that for example the EPC has a digital standard bus system (in French: Digibus) and voice commands may possibly be employed. For the first time, therefore, a battle tank with a comprehensive management system of a very high capacity.

### Drive System

The module in the new tank tested in the greatest detail is probably the drive unit. It consists of an 8-cylinder hyerbar diesel engine UNI-DIESEL V8X1500 with an output of 1100 kW and a hydromechanical automatic transmission [of type] Soma Minerva ESM 500. To date, 15 prototypes of the engine have been built and tested, first in the two experimental test rigs, but also on the test stands of the manufacturing firm Soci  t   Alsacienne de Construction M  canique (SACM), of AMX/APX, and the Centre Technique d'Angers (ETAS). Results to date have been very satisfactory, both with respect to the technology as well as the mobility of the vehicle that was achieved with the drive unit on open terrain.

Particular attention was given during the conception of the engine block to small dimensions--so that it stands out [from all others] by its amazing compactness. In addition, the drive block can be very quickly installed and removed--a considerably advantage, especially when compared to the AMX-30.

### Protection

The compactness of the drive unit and the elimination of the [human] loader's position through utilization of an automatic loader have produced a very compact vehicle, with the result that the weight should be considerably less than that of the LEOPARD 2/M-1--50 tons, while not firm, is nevertheless probably the correct figure. This weight could increase in the course of time (or, under optimal circumstances, decrease), depending on the development of the protective materials [armor].

For understandable reasons, M. Dubot was unable to answer the question as to the design of the armor--but it became clear that the EPC will have a relatively light structure and that the weight thus gained can be used to improve the armor. No decision has yet been made, he stated, precisely what armor plating would be used, but the tank's concept was such as to permit the design of the armor to undergo evolutionary changes [modifications] with the passage of time. Which indicates that the armor is not integrated into the structure, but is attached to it. In any event, [M. Dubot stated that]



the armor was equal to the threat posed by tanks, attack helicopters and missiles--should the threat change significantly, the weight of the tank could perhaps also be increased, to over 50 tons, possibly--which would not result in any loss of mobility, however, since the engine output of 1100 kW was completely adequate.

Other protective elements are the small silhouette of the battle tank with flat turret and the fire suppression equipment in the engine and crew compartments.

Thus far a battle tank with flat turret has always been mentioned--this has not been conclusively decided upon, but it appears to be the most likely solution. However, testing of an externally mounted configuration of the 120mm gun is also continuing.

### High Firepower

During development, special significance was attached to all those elements which contribute to high firepower, such as firing while on the move, high rate of fire, high hit probability. This, coupled with the heavy armor and high mobility, make the EPC a weapons system for the 1990's which will be fully equal to the threat.

But not only firepower was the objective, just as much attention was given to the lifetime service costs. Much investigating was done here, so as to be sure that not only a combat-effective but also a cost-effective vehicle was developed. For example, for reasons of cost, development of a new turbine for the hyperbar engine was begun. The development to date has likewise remained within the established time and cost limits, and there is reason to believe that this will also be the case in the future.

It is not very probable that a larger family of special-purpose vehicles will one day be developed from the EPC. The battle tank was too uniquely designed to make this possible; an 1100 kW engine, for instance, would probably be too large for specialized vehicles.

And what has become of the German-French cooperative venture which was at one time accompanied by high hopes? Talks between experts of both countries are still going on, mainly on the subject of harmonizing components of armored vehicles.

Even though a joint German-French battle tank did not materialize, interoperability is for the most part assured by virtue of the 120mm weapons system, which can fire the ammunition of the other's battle tank.

12689

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MILITARY

NORWAY

# DEPARTING CHIEF DISCUSSES MILITARY SIGNAL INTELLIGENCE

Oslo AFTENPOSTEN in Norwegian 7 Sep 85 p 29

[Article by Knut Falchenberg: "The Intelligence is Lifting the Veil: Military Listening Stations Looking into the Soviets' Cards"]

[Text] Norwegian military intelligence has not placed listening equipment on oil rigs. But from vessels, submarines, planes and ground stations the Soviet activity is being followed. If one tries to intercept data from Russian missile tests this becomes a link in the armaments control. A new European radar satellite will also be helpful for the intelligence service. Data from the United States' 'spy satellites' are not read in Norway, even if this is technically possible. An independent intelligence service is a precondition for an independent foreign policy, the service chief points out in this interview with AFTENPOSTEN.

It does not say 'secret agent wanted' when the service advertises open positions. But they do advertise, and it is frequently for technically knowledgeable people for the Defense who are being sought.

"We receive so many applicants that we have some to select from", the departing intelligence chief, rear admiral Jan Ingebrigtsen tells AFTENPOSTEN. Even though he used to head a military staff, a good majority are civilians. Many are handpicked, both from the civilian and military ranks. But neither Ingebrigtsen nor his successor, Egil Jorgen Eikanger, want to disclose the number of employees.

All who are recruited are being told what it is about. A main area is electronics, where the data power is used both to gather information and for analysis and processing.

"When the Korean passenger plane strayed into the Sakhalin peninsula and was shot down and a few years earlier a plane going towards Murmansk, it was claimed that the Western intelligence was able to listen to the communication between Soviet fighter planes and the ground. Can Norway follow Russian radio traffic on Kola?"

"Much of the electronic equipment which is used emits a certain electromagnetic energy. This applies, for instance, to radio transmitters, radar stations, fire control equipment for weapons and satellites which send signals back to the ground. It is these types of radiation which form the basis for electronic intelligence. All intelligence services I know have communications intelligence as an important area. It would therefore be unprofessional to deny that we also engage in this type of intelligence, but it would be equally unprofessional to disclose publicly to what communication this applies.

"When the United States were thrown out of Iran, the fact that the American listening stations could no longer follow Soviet missile tests in this part of the world was considered to be a serious setback. Can Norwegian listening stations follow missile tests in the North?"

"If one tries to intercept data from missile tests this becomes among other things part of the armaments control. It is in the interest of all parties that one can look into each other's card to a certain extent in this field."

Both the old and the new intelligence chief, Ingebrigtsen and Eikanger, believe that the service ranks high in status among Norway's allies, even if a low profile is kept towards the public. Since the United States are the only country which has the capacity to counterbalance the Soviets militarily both for European and for Norwegian security in particular, the United States is a main country of cooperation for the Norwegian intelligence service as well.

"Does it happen that the Norwegian intelligence carries out missions which are not of interest primarily to Norway, but which can be of value to other allies?"

"This happens. Cooperation with other countries in this way is a question of give and take. If Norway collects information which is not of interest primarily for Norway locally, it can give us "credits", we can then expect to get important information back from those we cooperate with," says Ingebrigtsen who declines to comment on the question whether also financial support is circulated among the countries.

"Are there influencing agents who spread disinformation in Norway?"

"This must be the Norwegian press," laughs Ingebrigtsen. "This field is not one of the areas of responsibilities of the military intelligence service." For a more comprehensive answer he refers to the police's surveillance service.

"But certainly you, too, receive information on espionage or political terror from contacts abroad?"

"We have regular meetings with the police surveillance service and the security staff in the Defense. There, information is exchanged. If we have something to report, we will do so. These are very useful meetings."

"What about satellites--does Norway obtain data from the American so-called spy satellites?"

"Let me say first that satellites cannot see everything. This is a matter of so large amounts of data which must be analyzed that the users can only concentrate on the most important tasks. As to the question whether we in Norway retrieve data from American data satellites, the answer is that we could well do that. This is technically possible for us. It is, however, an important principle that everything that is gathered by the Norwegian intelligence must be processed into a complete result using Norwegian personnel and resources. The amounts of data involved here are beyond our capacity.

In the future, satellites will become much more common and less dramatized than today. Just think of the new European radar satellite ERS-1 which all countries participating in the European satellite program ESA can use. When Norway also becomes a member this means that the intelligence service--and APTENPOSTEN is welcome, too--would be able to use the satellite to find out what is going on in the sea areas around us."

"Has one progressed so far with advanced collection methods that the further processing has become the bottleneck?"

"In some areas processing is a bottleneck. To a certain degree computers can help with sorting and can process information according to certain criteria. But computers only do what they have been instructed to do; therefore, the human aspect has not been reduced. Competent experts are needed, and we have them."

"But when the reports are on the table, are they taken seriously by the Defense and the government?"

"The answer is an unequivocal yes. For the distribution of information we follow the principle that the users only participate in that information which they need for carrying out a service or mission assigned to them. The sources of the information will be known only to a few people at a high level.

"As to the relationship with our highest political authorities, I want to say that they, too, take us absolutely seriously. We give orientation when it is desirable and necessary, and the service is also represented in the key selection. For all practical purposes I want to claim that an independent, national intelligence service is a prerequisite for being able to conduct an independent foreign and security policy."

"Examples?"

"The cruise rocket which came in over Finnmark around the turn of the year. Our intelligence gave the government the opportunity to react correctly. I can say that what we can disclose about the episode clearly substantiates also the intelligence service's international reputation." Ingebrigtsen confirms that it was a Shaddock missile.

"Also in connection with the Hopen accident in 1978 where a Soviet military plane crashed into a Norwegian area, the intelligence service was able to give

the Norwegian authorities sufficient information so that they knew what position to take in the dialogue with Moscow.

In the Soviet plane missile documents were found which contained in part incorrect information about Norwegian military conditions. This referred in part to conditions which in an open country such as Norway should be relatively easy to get access to. Here we can make the very useful observation that it pays to keep certain secrets also in Norway."

"What about the so-called 'stay-behind' groups about which there was a lot of talk a few years ago? Do they continue?"

"I can confirm that such groups continue to exist for war times. Their task will be to remain behind at places where an enemy may operate."

"Will a group also engage in espionage?"

"They will collect information behind the enemies' line, but no sabotage missions are intended."

Ingebrigtsen discloses that even though the intelligence service uses both vehicles and submarines as well as planes and ground stations to collect data the service has not set its sight on the oil platforms in the sea. Theoretically, the platforms could be suitable for radar surveillance and listening in on foreign radio traffic but one has not thought of oil rigs in this context. As to underwater equipment for listening to foreign submarines, oil platforms are completely unsuitable. They produce too much noise in the sea for sensitive listening equipment to be placed onboard.

12831

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MILITARY

NORWAY

# GOVERNMENT HOPES UPCOMING MEASURES TO HALT AIR FORCE PILOT DRAIN

## Squadron's Pilots Remain Skeptical

Oslo AFTENPOSTEN in Norwegian 22 Aug 85 p 64

[Article by Liv Hegna]

[Text] Government efforts to halt the air force pilot crisis are not going to solve the problem; in part, they will intensify it. This was made clear to AFTENPOSTEN by squadron 334 pilots at Bodo air base.

"Pilots who had signed up with the Air Force would have stayed," said squadron commander Major Tomas C. Archer. Altogether 32 pilots have given notice to the Supreme Command this year, and Archer does not believe that any of them will volunteer to serve 6 months in North Norway every year after going to work for SAS.

Captain Dag Falk-Petersen, second in command to Major Archer, told AFTENPOSTEN that he would have liked to take a leave of absence from the Air Force for one year to find out if working for a civilian airline is really as attractive as they say it is. However, because he lacked 4 months' service to qualify for a leave of absence, his application was turned down and his chances of returning to the Air Force cut off.

Falk-Petersen smiled when AFTENPOSTEN asked if he had volunteered to sign a contract to serve 6 months in the Air Force during his first 3 years with SAS:

"Should I shuttle between home and North Norway for 6 months while having to accept a cut in my overall pay? I have to face the fact that my flight duties will be much less exiting than they have been so far." Captain Falk-Petersen's objections to the voluntary military service adopted by the Government are clear.

He would not mind being part of the F-16 squadron for very brief periods at a time. In general, he has no objection to splitting service between SAS and the Air Force. The concept of split service is not new, although this is the first



it is being applied to fighter pilots. During the last brigade maneuver, several SAS pilots took part in the so-called Forward Air Control. They had the responsibility of directing fighter planes in close combat. Some of the personnel at Varnes military flight school also hold civilian jobs, a frequent occurrence.

Squadron 33<sup>4</sup> pilots are united in their opinion about the government's decision to offer pilots who sign up for 15 years in the Air Force a bonus of 1.2 million kroner, namely that it serves no purpose. Good pilots who choose to stay in the Air Force would do so regardless of the money. Pilots over 35, who will absolutely not be offered a bonus contract, are dissatisfied. Archer said he had already received notice from a senior squadron pilot who is too old for SAS and too old to qualify for the bonus. He is 35 years old. "He would have been of great value to us training new pilots had he chosen to stay, but I understand he does not want to continue as an officer earning 100,000 kroner less than the men he would be training," said Archer.

Major Tomas C. Archer is 33 years old and can expect a bonus of 1.2 million kroner in 15 years. He said he would take it, but added that he would have chosen to stay in the Air Force anyway. "I wanted to become an air force pilot when I started flight school," he said.

"Does the major have plans of becoming a general, perhaps?"

Tomas C. Archer laughed and said: "I do not quite know how to avoid it; shortly there will be no pilots left with the minimum service required. The Air Force will soon face a formidable leadership crisis due to the lack of middle-aged personnel. It is too late to start from the bottom now."

#### SAS Weighing Requirements Change

Oslo AFTENPOSTEN in Norwegian 29 Aug 85 p 64

[Article by Liv Hegna]

[Text] SAS will weigh raising the age limit for new pilots from 34 to 38 at a meeting in Stockholm 5 September. This was confirmed by Per Ekeland, the head of SAS pilot recruiting. Raising the age limit would give SAS more air force pilots to choose from, while the Air Force would lose an even greater number of its most experienced personnel. Lieutenant General Alf Granviken told AFTENPOSTEN that he is concerned about the Air Force's future.

Granviken, Supreme Command chief of staff--and a former pilot--told AFTENPOSTEN that the lack of experienced air force officers is approaching a crisis-like situation.

Lieutenant General Granviken pointed out that the shortage of personnel qualified to assume important air force staff positions could mean that the country will lose its self-determination.

"Who will command allied reinforcements coming into Norway in a crisis situation if we have no experienced air force officers?" he asked and compared the situation to having 13 brigades but no brigadier general to command the forces.

Furthermore, SAS is not the only airline to attract the most experienced air force pilots. The position of operations chief with Wideroe Airline is being sought by at least four air force officers. Two of the applicants are still active pilots, while the other two are North Norway Defense Command staff officers. The decision as to who gets the position will probably be made next Thursday or Friday.

Wideroe Airline Administrative Director Peter Nissen confirmed that the decision will be made within the next few days.

Svein Karlskas, North Norway Air Command senior staff officer, told AFTENPOSTEN we must understand air force officers' desire to leave the Air Force based on the needs to establish a permanent home for themselves and their families, together with the fact that pilots who stop flying have their pay reduced when they become staff officers in that they lose the extra flight pay and the military preparedness overtime pay.

All four applicants told AFTENPOSTEN that they were not delighted about leaving the Air Force and the good environment there. However, the position of operations chief is considered very attractive from a professional standpoint as well.

#### Civilian Flight School Expected

Oslo AFTENPOSTEN in Norwegian 3 Sep 85 p 76

[Article by Liv Hegna]

[Text] "In about a month the Defense Department expects to have a report from the special committee appointed to study the feasibility of establishing a government-sponsored civilian flight school," deputy Defense Department director Alf Berg told AFTENPOSTEN. Berg also said that the committee has come up with a model design, but that the principles involved in its execution have not been clarified yet. "A lot of questions arise about funding and responsibility in connection with an eventual joint Nordic project," he said.

Deputy Director Berg said that among the items of particular interest in this report will be the distribution of funding and student enrollment, as well as the location of the school. Berg also pointed out that 14 students will soon graduate from the civilian flight school in Sweden, all of whom have been offered employment with SAS. He did not know how many of the 14 have accepted the offer. Berg said that this is the first class of air traffic pilots to graduate from the school. Another class of 25 students will graduate in 6 months, followed by still another class of 30. "This is the school's maximum capacity, making it impossible for our government to enroll Norwegian students in this school," said Berg.

The special committee appointed to study the feasibility of a civilian flight school is made up of Defense Department representatives from Denmark, Sweden and Norway. It was the three nations' defense ministers who gave the committee the task of studying alternative SAS recruiting possibilities. "The Defense Department does not normally try to establish civilian training facilities, but found it necessary due to the growing pilot crisis. The special committee was established last spring and is expected to submit its report in about a month," said deputy director Alf Berg.

Furthermore, Berg called attention to the fact that there is already a report on civilian flight training in Norway, the so-called Fjermeros Committee's report. It was submitted in the late 1970's, but because SAS did not recruit any pilots then and they said it would be a long time before the company would again recruit new pilots, the government chose to file the report at that time.

"The Fjermeros Committee suggested we establish a national air-traffic pilot college. The committee briefly touched on the idea of a Nordic college of this kind, but abandoned the thought since they assumed it would be a burdensome apparatus. In the meantime, the pressure on the Air Force disappeared and nothing more was done about the matter," said Berg.

Should the committee propose to establish a civilian flight school, it could not be started until 1987 because the proposal would have to be studied by a number of authorities, including Parliament, which eventually would be asked to appropriate money for it.

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MILITARY

SWEDEN

# POLITICAL PARTIES' STANDS ON DEFENSE ISSUES CONTRASTED

Stockholm SVENSKA DAGBLADET in Swedish 4 Sep 85 p 8

[Article by Erik Liden]

[Text] Defense issues have seldom or never played a major role in election campaigns.

This year many people felt that the vehement security policy debates, primarily between Conservatives and Social Democrats, would give rise to a defense debate before the election. Why did it not happen?

"I believe that last winter's skirmishes have led to greater discretion," says H.-G. Wessberg, the Defense Staff's information secretary. "There is traditionally a tacit agreement not to start a battle over defense issues in election campaigns. That is really a pity, since the 1987 defense decision is getting closer and closer, and an open debate concerning the defense force's increasingly meager financial resources is needed.

"No one in a responsible position can deny that the wartime organization's qualified units have become fewer in number through the years. All three branches of the service need larger appropriations if they are to hold their own in a world that is continuing its arms buildup."

The Christian Democratic Union [KDS], which is cooperating in the campaign with the Center Party, believes that the Armed Forces will be a guarantor of Sweden's freedom even in the future.

"Although we are not assigning priority to defense issues in the election campaign, we have included a paragraph on neutrality policy among the 15 most important issues we intend to bring up in Parliament this fall," says Mats Odell of the KDS. "I also believe that an open quarrel over Sweden's security policy would do more damage than good. Last winter's political quarreling between Olof Palme and Carl Bildt, for example, was not good for the country.

## Parties' Stands on Defense Issues

[M: Conservative Party; FP: Liberal Party; C: Center Party; KDS: Christian Democratic Union; SDP: Social Democratic Party; VPK: Left Party-Communists]

Party	Future Defense Funds	Wartime Medical Care	Aircraft
M	21.3 billion kronor per year; possible increase in the 1987 defense decision.	Must be improved as provided in earlier studies, including stockpiling of equipment, improved operating capability.	Air defense in general must be strengthened. At least 1 fighter squadron to be added to the current 11. Modern missiles for the JAS-39 Gripen; expansion of air bases and combat information centers.
FP	21.3 billion kronor per year; no change in policy after 1987.	Wartime medical care must be further improved to put it on a par with peacetime care.	Radar surveillance and preparedness against intrusions, etc. to be improved. More funds for fighter planes if possible.
C	21.3 billion kronor per year; possible increases after 1987.	Vulnerability in medical care must be reduced through stockpiling and concentration on simple equipment.	Greater concentration on preparedness and border surveillance through increased funds for air defense.
KDS	21.3 billion kronor per year in line with the middle parties.	Vital to care for both civilian and military personnel in wartime.	Supports need for strong Swedish air defense, including JAS plane.
SDP	20.9 billion kronor per year as provided in May 1985 decision by Parliament. Study possibility of even lower cost ceilings.	The clear imbalance between peacetime and wartime medical care must be eliminated by greater concentration on wartime conditions.	No justification for more fighter squadrons. The Armed Forces supreme commander is studying various air defense components assuming no change in budgets. This includes longer-range missiles.
VPK	19.4 billion kronor per year; further reductions possible in 1987. Fixed costs an obstacle to desirable cutbacks.	Must be improved in peacetime.	Stands by its rejection of entire JAS project, which upsets defense finances and creates inappropriate ties with NATO.



Party	Conscript Conditions	Antisubmarine Defense
M	Pay should be increased from the current 25 kronor per day by at least the amount of inflation. No need to amend the law on conscientious objectors.	Four air force helicopters to be transferred sooner to the navy; quick decision on four new coastal corvettes and personnel increases for the navy.
FP	Daily pay to be increased from 25 kronor. Conscientious objection to be made easier; qualification procedure to be abolished.	Nonsocialist unity on helicopters, coastal corvettes, and personnel.
C	All conscript benefits must be reviewed and made to correspond to cost developments in society. Election promises must be kept.	Nonsocialist unity as above.
KDS	Liberal legislation on conscientious objection. Imprisonment for objectors to be abolished completely.	Neutrality requires defense of the territory; antisubmarine defense important.
SDP	The goal from the 1982 election of 30 kronor per day has not been achieved. Increasing the current pay of 25 kronor will require higher appropriations for defense. Qualification procedure for conscientious objectors to be retained.	No need to order coastal corvettes before November. Helicopters will be transferred to the navy in 1987 and 1989. Increases in personnel not necessary at this time.
VPK	Conscript benefits must be reviewed. Qualification procedure for applicants for conscientious-objector status to remain.	Deficient antisubmarine defense is due to navy incompetence. The simplest improvement would be to stem the migration from archipelago areas so that human eyes will be in more places than at present.

Party	Future of Missile Industry	Civil Defense
M	More subsystems and even complete missiles should be manufactured in Sweden if possible to reduce dependence on other countries by creating a Swedish profile.	Better equipment and breathing apparatus for the entire population no later than 1992.
FP	Retain development possibilities, invest cost effectively, appoint investigating committee on missiles and study alternatives using simple missile platforms.	Rejuvenate civil defense by drafting conscripts directly, build air raid shelters only after risk has been assessed. Concentrate on breathing apparatus for all citizens.
C	An advanced Swedish missile industry is one of the basic conditions for the credibility of the Swedish Armed Forces.	Breathing apparatus for the entire population no later than 1992.
KDS	Swedish capability is urgent, but at the same time, arms exports must be further curtailed.	Civilians are being increasingly harmed in wartime. Civil defense must receive more funds through a redistribution of total defense allocations.
SDP	A competent and good missile industry in Sweden is urgent. Future possibilities are being studied by the Air Materiel Drafting Committee and the current defense committee.	Breathing apparatus will be supplied no earlier than 1994 due to insufficient funds. Further air raid shelter construction is being given priority in high-risk areas.
VPK	Less dependence on defense purchases from abroad. More balance between purchases from East and West. Concentration on Swedish industry. Eliminate arms exports eventually.	More funds for civil defense by transferring money from military defense, whose budget the VPK wants to reduce by at least 1.5 billion kronor per year. Greater concentration on defense of the population in the broad sense.

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CSO: 3650/348

MILITARY

SWEDEN

#### SAAB-FAIRCHILD PLANE ENVISIONED FOR 1990'S RADAR SURVEILLANCE

Stockholm SVENSKA DAGBLADET in Swedish 5 Sep 85 p 7

[Article by Roger Magnegard]

[Text] The idea is that the Swedish Air Force's combat information center of the 1990's will be situated in safe territory--in Swedish airspace. The drawing below shows how it might look.

The picture, which is being published for the first time ever by SVENSKA DAGBLADET, shows SAAB-Fairchild's radar reconnaissance plane--a little brother to the AWACS planes used by the big powers. Those planes carry large parabolic antennas atop their fuselage.

The long and narrow antenna on top of the SAAB-Fairchild fuselage was developed by Ericsson. It consists of a large number of small radar antennas, and according to military men who have studied the test results, its performance is "unbelievable."

In his prospective plan, OB [Supreme Commander of the Armed Forces] Lennart Ljung has recommended flying radar information centers that would go into service in the 1990's.

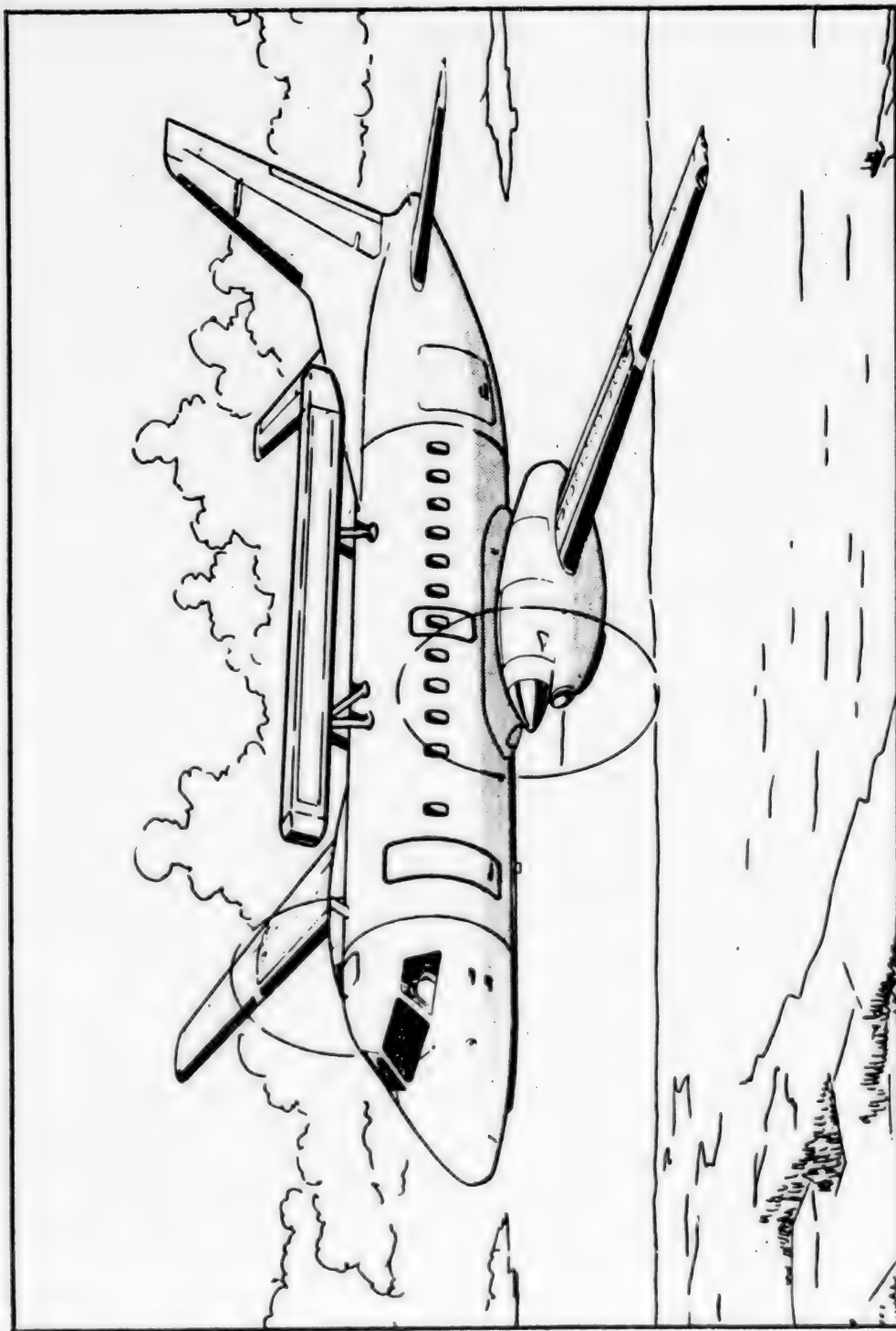
#### Several Advantages

SVENSKA DAGBLADET has learned that the Defense Materiel Administration is negotiating with SAAB to buy the Fairchild plane to carry the radar.

Flying radar has several advantages. For one thing, its range is greater--a radar is limited under normal conditions by the curvature of the earth, but the higher the radar is located, the farther its signals reach.

Objects that are flying or moving very close to the surface of the water are detected sooner. It is harder for an intruder to hide in what are known as radar shadows.

Lt Col Gosta Edwards of the Air Staff says: "A flying radar information center can also cover the gaps created when radar stations are knocked out."



SAAB-Fairchild's radar reconnaissance plane will be a little brother to the AWACS planes used by the big powers. According to the OB's prospective plan, flying radar information centers may go into operation in the 1990's.

## Two Theories

Exactly how a radar plane will be used in a wartime situation has not yet been decided. The military are working on two possibilities:

The first possibility is that portions of Sweden's fighter force would be guided directly from the radar plane, which would then be functioning as a combat information center.

The second possibility is that the radar images picked up by the plane would be transmitted down to the currently existing combat information centers on the ground.

This would make the system less vulnerable--if a radar plane were knocked out.

In peacetime, it is fully conceivable that the radar planes would be deployed over the Baltic Sea. This would give the military a picture of how and when Soviet fighter planes take off from their bases in the Baltic States.

Gosta Edwards says: "But the closer the plane is to the territory of foreign countries, the greater the risk that its radar will be subjected to jamming."

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MILITARY

SWEDEN

## REPORTER IN BOOK DENIES ANY PROOF EXISTS OF USSR SUB IN FJORDS

### Attacks Submarine Commission Report

Stockholm DAGENS NYHETER in Swedish 29 Aug 85 p 6

[Article by Wolfgang Hansson: "There Were no Submarines"]

[Text] There were never any submarines in Harsfjarden. The Submarine Commission deceived the general public. The bottom tracks which were used as evidence may very well have been made by Swedish submarines.

This information is presented by Radio Sweden journalist Ingemar Myhrberg in a book which is due to be published shortly. Myhrberg has become known for having maintained, in complete contrast to the Navy and the Swedish government, that the Russian U-137 submarine was not on a spying mission when it ran aground outside Karlskrona but had made an error in navigation.

Carl Bildt, a Conservative and a member of the Submarine Commission, dismisses Ingemar Myhrberg's data as erroneous and unserious.

"It appears that all he wants to do is to prove a thesis which he has pushed from the beginning," is Bildt's comment.

### Four Pieces of Evidence

Myhrberg goes through the four pieces of evidence of foreign submarines which the Submarine Commission indicates as certain. He dismisses the two conscripts who first sighted a submarine and whose observation started the search lasting several weeks in Harsfjarden.

"Just because they are military doesn't mean that they are more credible than many other witnesses who inaccurately thought they saw a submarine," Myhrberg writes in the book.

He also dismisses the sonar contacts with suspected submarines. According to Myhrberg the Navy's sonars are constructed for open water and in general do not function at all in the archipelago, where it is difficult to distinguish between various types of echoes. The Navy people could just as easily have heard schools of fish or rocks on the bottom of the sea.

## Sonars

Carls Bildt agrees that sonar work is difficult in narrow waters.

"But the Navy also uses sonar with a so-called doppler effect," he explains. With the help of this, it is possible to see an object moving in the water and also determine its speed. One of the indications is a classic example of a submarine echo and is heard very clearly on the tapes which are public."

Bildt asserts that the observation by the two conscripts is so detailed that there are no doubts.

"But obviously there are many data which for various reasons are still secret. Myhrberg has not had access to these and therefore draws completely false conclusions."

The bottom tracks in Harsfjorden are indistinct and could just as easily have come from Swedish submarines or pressure waves from the many depth charges which were dropped in Harsfjorden, Myhrberg claims in the book.

His proof is a Swedish minisub called Spiggen, which was used up to 1969. According to Myhrberg it could make tracks just like those photographed in Harsfjorden. Impressions in the archipelago can stay for many years. For example, the impression made by the man-of-war Wasa remained after 1979, despite the fact that the ship had been brought up 20 years earlier.

"It is totally out of the question that Spiggen caused the caterpillar-like tracks," in Carl Bildt's opinion. "When examined the tracks were fresh and very distinct. A few months later they had begun to fill with sludge."

"Furthermore, there were tracks in places where no depth charges had been sunk. Spiggen also cannot have made the impressions of caterpillar treads because the vessel lacked such treads."

## Mass Hysteria

Ingemar Myhrberg also accuses the Submarine Commission of having based its information about Russian minisubs on two pages in a book by a Russian defector. A book which a lieutenant colonel at the Defense Staff does not exclude as having originated with the help of the CIA.

"We had other sources as well, despite the fact that the Russians are very close-mouthed about their minisubs," Carl Bildt objects. "These sources are secret, however."

A central theme throughout the book--which also in detail describes the grounding of U-137 and the so-called Bildt incident--is Ingemar Myhrberg's thesis that the submarine indications around Sweden in the last few years are the result of a mass hysteria fueled by the Navy in order to obtain more funds.

"The hunt for fictitious submarines has quite unnecessarily caused a deterioration in our relations with foreign powers."

Myhrberg has also produced information supporting the assertions by Russian diplomat Georgiy Arbatov that he never said that the Soviet Union will continue the submarine violations regardless of Sweden's opinion. He is said to have uttered these words at a closed meeting in Washington.

Ray Garthoff, previously an ambassador and now a researcher, maintains in Myhrberg's book that instead Arbatov firmly denies that Soviet submarines are violating Swedish waters. This version is further confirmed by a general and an anonymous journalist who were present at the meeting.

Paper: Take Book Seriously

Stockholm DAGENS NYHETER in Swedish 29 Aug 85 p 2

[Editorial: "Troublesome Submarine Arguments"]

[Text] Journalist Ingemar Myhrberg raises troublesome questions with his book "Ubatsvalsen" [Submarine Waltz] which is just about to be published. He insists that Sweden has not been exposed to any deliberate submarine violations whatsoever.

If Myhrberg is completely right in his submarine speculations, things are very bad indeed in view of Sweden's diplomatic behavior toward the Soviet Union. Myhrberg himself speaks of "probably the greatest scandal ever in modern Swedish history." He believes he has proved how "the Swedish military, in its anxiousness to raise defense appropriations, coupled with a nearly paranoid attitude toward a neighboring superpower, has succeeded in deceiving, cheating and misleading not only itself but an entire nation." The military is said to have received plenty of help from practically all mass media; the similarity of their positions is described as frightening.

The expressions are designed to trigger serious upsets, in particular in the decisionmakers who are attacked. What is challenged is their continued ability to represent Sweden's military and national interests.

Best known from before are Myhrberg's determined attempts to torpedo the official version of the U-137 violation of Gasefjarden in the fall of 1981. The military finally brought out some previously secret-classified material regarding changes in the submarine's dead reckoning log and Soviet orders to the crew to blame the grounding on errors in the gyrocompass. These circumstances, plus the Soviet behavior in general, justified the government's sharp protest to the Soviet Union. What remains, after all that Myhrberg has dragged up concerning the submarine's great speed and noise, is the question of whether it was not, despite all, a premature conclusion to exclude erroneous navigation.

Myhrberg now expands the discussion. His merciless criticism of the Submarine Commission is likely to attract the most attention. As journalist Anders Hasselbohm before him, Myhrberg points out strange and hasty comments on for example the question of which submarines might have twin screws and a characteristic keel. It is hard to believe that naval expertise is not better informed of these things, as well as of the occurrence of minisubs in various places.

Answers provided by several commission members during interviews indicate that the bottom tracks were of decisive importance to their basic material for the second submarine protest note to the Soviet Union. According to Myhrberg such tracks may have existed for decades in Harsfjarden--salvaging the man-or-war Wasa, for example, left lasting patterns in the Stockholm channel--and were in fact caused by Swedish submarines!

Nowadays even the military's own communiques show how easy it is to be mistaken. From the surprisingly scanty submission of evidence after the search in Karlskrona in the spring of 1984 it appears that an originally "unequivocally confirmed" submarine later was judged at most a "possible submarine." From government quarters there has been talk of "unclear points," and that many incidents have a natural explanation and that distinction must be made between indications and incidents from evidence and worked out conclusions.

To be sure, Ingemar Myhrberg lays himself open to objections. The label "security risk" for the defense staff on the basis of information from a former colleague is nonsense. The fact that violations of Sweden should be contrary to Soviet interests cannot be proved with Myhrberg's graphic descriptions. The Soviet Union could very well be engaging in "various forms of preparations for potential crisis and wartime situations" (Defense Committee's evaluation).

One is also not convinced that the Navy began to "discover" submarines out of a sudden urge to build up antisubmarine activity, long having downgraded this in favor of surface attacks and its own submarines. Above all, Myhrberg in no way proves that the Swedish people has in fact been exposed to a military conspiracy!

Nevertheless, we deserve answers on a number of concrete points. In order to pick just a few: How far up the military hierarchy did a civilian study of the submarine search at Uto in the fall of 1980 go, the one which, according to Myhrberg, formed the basis for the whole continued violation perspective? In the Harsfjarden case, what could actually be gathered from intercepted Soviet radio traffic without messages from a single submarine, how could radar observations be interpreted without cross bearing? Is there in fact throughout the whole series of incidents anything to go on other than eyewitness observations, now that experts describe the sonars in question as unsuitable, even unusable, in narrow inner waters? And something entirely different: Does the Foreign Ministry report still stand that Soviet representative Georgiy Arbatov at a meeting in the United States found the

Swedes naive to believe that they could prevent the Soviet Union from continued underwater activities in Swedish waters?

Criticism, even in Ingemar Myhrberg's sensational and offensive version, should not be dismissed, banned or made suspicious. It must be met with full force--for the sake of the security policy itself.

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MILITARY

SWEDEN

GENERAL: EXERCISE PERFORMANCE REVEALS OFFICER INCOMPETENCE

Stockholm DAGENS NYHETER in Swedish 30 Aug 85 p 22

[Article by Thorsten Engman: "Swedish Officers Cannot Cope With a War"]

[Text] Karlstad--It is completely clear that not all Swedish career officers can cope with their wartime duties. These are the words of Gen Bengt Tamfeldt, head of Military Region B and exercise commander of the major "Western Border" Military Exercise last winter in the Varmland forests, after having received a report Thursday from the Institute of Defense Organization and management (FRI).

The FRI had been given the task by General Tamfeldt of studying utilization of resources and effects of training both before, during and after the major exercise in which about 25,000 men, primarily from the Army and Air Force, participated in practicing liaison, fire control systems, checking preparedness and preparations for war as well as increasing capability and [sic] units, leaders and soldiers.

The FRI and Military Region Chief Tamfeldt in general make the same evaluations, that on the whole the exercise was carried out well. The higher the grade and post, the better the exercise was carried out and the more the men's own knowledge increased, was the opinion. But the further down in the grades the investigators came, the more they thought that inefficiency grew. Therefore, both conclude that there had been a failure in reaching the foremost goal of the exercise: A successful and meaningful exercise for all.

In "Western Border" the eternal waiting was to have been done away with once and for all. Leaders and unit instructors (career officers) had therefore been given extra time in order to be able to complete drills in the exercise.

Hardly anyone did. For lack of initiative, responsibility and knowledge.

"If people do not succeed in being instructors in peacetime, they do not succeed in their task in war," says General Tamfeldt. "It is now completely clear that the Swedish officer has too little training in troop leadership, among other things. He does not know how a unit should solve a task in the field. It is a matter of experience. But the study also shows that we must effect a change in attitude in the Swedish commanding officers.

Bengt Tamfeldt had ordered a special study of one unit concerning delays. At the 23rd Howitzer Battalion the battery commander and fire control officer were missing at all three batteries.

"How are they to have a meaningful exercise when the most important persons do not arrive and must be replaced by untrained commanders. No wonder that the exercise was unsuccessful."

"I'm of the opinion that both Armed Forces exercises, minor refresher course exercises and staff exercises are needed in the future. We can sit here with our maps and war games as long as we want to. Calling the room next door and giving an order is not very difficult, but how would we know that all was functioning properly out in the field, if we did not exercise the staffs there as well.

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MILITARY

SWEDEN

#### AIR FORCE CRASHES SO FAR IN 1985 SHOWING LARGE INCREASE

Stockholm SVENSKA DAGBLADET in Swedish 31 Aug 85 p 6

[Article by Sune Olofson]

[Text] Since 1970 the air force has lost 111 aircraft valued at about 4.44 billion kronor, and 38 pilots have died in crashes and collisions. And 1985 is obviously going to be a black year for the air force.

On Thursday, two Viggen reconnaissance planes collided in the airspace above Vingaker. The planes were completely destroyed.

Five Viggens have crashed so far this year: four as a result of two collisions in the air and one as a result of engine trouble.

"It looks as though 1985 is going to be an unlucky year for us," says Col Ake Sjogren of the Air Staff's Flight Safety Department. "There cannot be many more crashes this year."

Over the past 15 years, 75 Draken 35's, 32 Viggen 37's, and 4 SK-60's have crashed and been totally destroyed.

The air force is reluctant to say what those crashes have cost the country and the taxpayers, since a lost aircraft is not replaced with a new one. But the equipment is naturally worth something.

Assuming that each aircraft costs about 40 million kronor on average and that salvage and compensation costs must be added to that, the total bill must come to nearly 4.5 billion kronor.

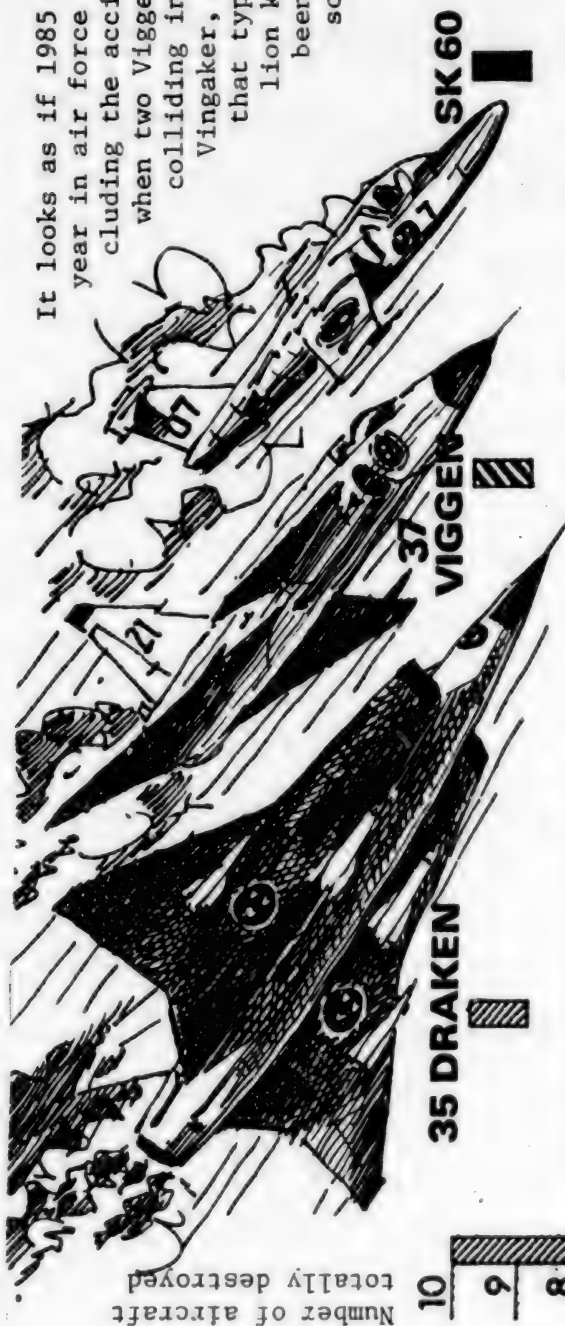
#### Plans Include Replacement Reserve

Ake Sjogren says: "When a new aircraft system is adopted, we plan for and order a certain number of aircraft. The exact number is a secret."

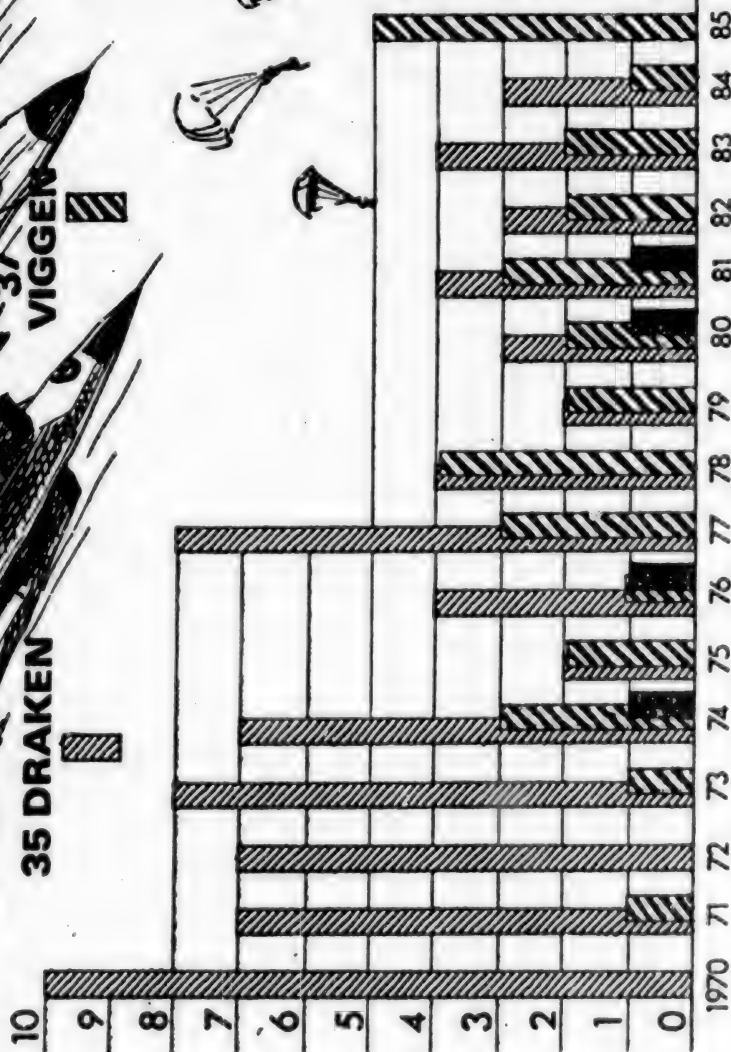
Planning and budget both include what is called a replacement reserve.

"When a plane crashes, we cannot run to SAAB and order a new one. That is not possible. The production runs are fixed. The number that we ordered at the

It looks as if 1985 will be a dismal year in air force statistics. Including the accident on Thursday, when two Viggens crashed after colliding in the air above Vingaker, five planes of that type--worth 55 million kronor each--have been converted to scrap.



Number of aircraft totally destroyed



start will have to do, and we must rely on the replacement reserve being large enough."

How many aircraft can Sweden lose without endangering its wartime organization?

"That information is something that foreign powers are very interested in knowing. All I can say is that the reserve is fair sized, and the wartime organization's requirements through 1990 are not in jeopardy."

The air force is an important foundation stone in Swedish security policy. The standard requires that pilots undergo tough training and that they fly at the maximum permissible limits at the risk of their own lives and of expensive damage to the equipment.

In the final analysis, the pilot sits there with his knowledge, his judgment, and his responsibility for a 55-million-krona package of gunpowder called the Viggen.

In air combat, Viggen aircraft can be at an altitude of anywhere between 10,000 and 100 meters. Visibility is sometimes bad. Where are one's own planes? And where are those of the enemy?

In peacetime air combat exercises, Swedish and Israeli pilots fly with a great deal of recklessness. A blink of the eye or a sneeze at the wrong second can mean that a life is ended. In the middle of that stream of signals, impressions, and demands, the issue is flight safety.

#### Safety Most Important

It must not happen: flight safety is the most important factor in every air wing.

But it still happens.

And to put things bluntly, it must happen.

"As long as there are human beings in the system, misjudgments are going to be made. Even peace and freedom have their price," says Col Bert Stenfeldt, former commanding officer of F-21 [Norrbotten Air Wing] in Lulea, which has a bad record of crashes.

A group at the Air Staff is currently working on a complete study of the problems of air combat. The aim is to increase safety and reduce the number of crashes and deaths while also developing combat tactics.

Parts of that study will be published in a couple of months.

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MILITARY

SWEDEN

## AIR FORCE GROUND CREWS STAGE SICK-OUT TO PROTEST PAY

Stockholm DAGENS NYHETER in Swedish 13 Sep 85 p 12

[Article by Caj Noren]

[Text] Lulea--A sick-out by about 50 ground crewmen paralyzed all practice flights at the Norrbotten Air Wing (F-21) in Lulea on Thursday for the second day in a row. The ground crewmen are calling in sick to express discontent with their pay and especially the local agreement reached at F-21 this week.

"The local agreement was the drop that caused the discontent to spill over. Now the air force can expect a mass departure of technicians going into civilian jobs," comments Lennart Holtrin. He is maintenance supervisor and chairman of the association representing the ground crew's interests at F-21.

Lt Col Lars-Erik Klintevall, press officer at F-21, expects that wing command will require a doctor's certificate from those calling in sick:

"We cannot allow sick calls to pile up like this without finding out what is wrong. When 50 out of 140 flight technicians suddenly can't get out of bed, one must ask oneself whether something is wrong, for example, in the working environment."

But neither Klintevall nor Holtrin denies that the trouble is being caused by discontent with the wage settlement. Lieutenant Colonel Klintevall feels that the flight technicians have gotten a "decent" deal.

"But they were obviously expecting more."

The massive sick-out meant that again on Thursday, F-21 was able to maintain only what is known as incident preparedness, with about 50 pilots being grounded as a result.

### Own Association

About 100 of the flight technicians at F-21 left the Officers' Association last spring and formed their own interest association. Similar associations have been or will be formed at other wings.

But that association does not have the right to negotiate. Now the flight technicians feel that they have been "punished" for their breakaway by being given a bad local agreement. They also feel that the agreement is a long way from corresponding to the pay increases promised by the air force chief of staff.

According to Lennart Holtrin, 25 out of 120 flight technicians received pay increases.

"Ten of those 25 flight technicians were promoted to a higher pay grade. But none of those 10 belongs to our interest association. And of the other 15 who have received pay raises in the past year, only 10 belong to the association."

This shows, says Lennart Holtrin, that the pay negotiations were based not on work performance but on membership in the association.

Lennart Holtrin now fears that there will be a mass departure of flight technicians:

"We will wind up in a vicious circle. Flight technicians can get considerably better pay elsewhere--in the computer firms, for example. And the more who leave, the harder the work will be for those who remain, so they will want to quit, too. The result, in the long run, is that flight safety will also be endangered."

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MILITARY

SWEDEN

# PROBLEM WITH SIGHTS ON FRG-MADE HELICOPTERS DELAYS ACQUISITION

Stockholm SVENSKA DAGBLADET in Swedish 22 Aug 85 p 9

[Article by Erik Liden]

[Text] The army's 20 anti-tank helicopters equipped with the American TOW missile, which were scheduled for delivery toward the end of 1986 will be held up after there were problems with the sight, among other things, during tests at Vidsel field in Norrbotten this summer.

The decision to buy 20 BO-105 helicopters from the West German firm MBB [expansion unknown] in Munich was made after the government authorized the Defense Materiel Comman, FMV, to make the purchase in July 1984 with delivery scheduled for the fall of 1986.

There were already some delays at that time in connection with the development and production of the Helitow sight units at Saab Combitech in Jonkoping. Saab is working with the American Emerson company which has had a lot of experience with different kinds of sights. The helicopter sight is 40 kg lighter than other sights on the market, which was a difficult requirement to meet for quite a while.

## Delayed a Month

Previous test firings in the United States did not give satisfactory results, which is why further tests were planned in Sweden. These have not yet been completed at Vidsel, partly because of problems with the test equipment and minor adjustments of the sight.

At this time it is estimated that the delay will last for around a month and since there is a tight timetable before the helicopters are delivered next year both FMV and Saab hope that further test firings will be successful. FMV estimates that they will not be completed before October at the earliest.

Direct problems with the TOW missile, which the army reported earlier from some demonstration firings, have not been noted at Visel. Saab Combitech, which has already signed a sales contract with Nigeria for the sight, must

have successful test firings in Sweden to point to before it can proceed to launch the Helitow sight on the export market.

The development of armored attack helicopters in the Soviet Union and elsewhere probably led to scrapping plans to order additional anti-tank helicopters for the army. Thus the 20 BO-105's will be unique in the Swedish military organization and will be used mainly in the border areas of upper Norrland.

#### Bofors Missile

The big investments the army is making in the Bill anti-tank missile from Bofors, which strikes the top of armored vehicles, and Strix ammunition for missile-launchers and eventually for artillery units as well are making it hard to find money to pay for such things as helicopters and a new tank.

At the same time new light armored vehicles have been ordered at a cost of billions along with a night combat version of the anti-aircraft missile 70, which will cost around 2 billion kronor.

The emphasis on indirect anti-tank firepower such as Strix is a subject of some controversy in the armed forces. The ammunition is more expensive than had been estimated and for this reason it can be purchased only for modern brigades in such limited quantities that it can only be used against especially vital targets, such as large groups of tanks.

#### Stationary Tanks

When the shell approaches the target it seeks out a surface with a radius of less than 100 meters, which means in principle that only stationary tanks that have been stopped by mines, for example, could be shelled. The maximum firing distance is 8 kilometers which means that missile-launchers must be deployed dangerously close to enemy lines.

Therefore tank inspector Colonel Hakan Waernulf insists that an artillery shell with the same technical capabilities and a firing range of over 20 kilometers must be developed. Both Bofors and FFV [Swedish National Defense Manufacturing] are now looking into the technical requirements.

The army is currently waiting for permission to acquire a West German M-483 shell containing a large number of shell fragments for use against light armored vehicles.

Mines that can be fired from artillery units may also be available soon. Missile artillery units are already being tried out in Sweden. This summer Bofors tested a West German artillery unit with 15 barrels at the Alvdalen firing range in northern Dalarna.

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CSO: 3650/346

MILITARY

SWEDEN

## PROBLEMS WITH HELICOPTER ENGINES HURTING ANTI-SUB EFFORT

Stockholm SVENSKA DAGBLADET in Swedish 25 Aug 85 p 8

[Article by Erik Liden]

[Text] It will take 2 to 3 years to replace the engines that are currently placing great restrictions on the use of the navy's sub-hunting helicopters. A new engine will not be tested before fall and no large orders will be placed before 1986.

So far it has been impossible to find the cause of the damage discovered this spring in the engine turbines of heavy military helicopters nor has it been possible to repair the damage, since new cracks keep developing. It had already been planned to acquire new engines toward the end of the 1980's but no orders have been placed yet.

### Fall Testing

The chief of the navy, Vice Admiral Bengt Schuback, has explained in a letter to various units under his command that he expects to order new engines and transmission systems for the 14 helicopters that will be used for hunting submarines by the first quarter of 1986 at the latest. At the same time he promised that the four coastal corvettes will be ordered in the fall of 1985.

The Defense Ministry said that the government will not take a stand on the coastal corvettes before October-November at the earliest, as announced previously, and that new authorization is needed before the helicopter engines can be ordered. A decision on this is included in the supplemental bill.

The engine manufacturer Rolls Royce in Great Britain has offered the Swedish armed forces an H 1400-1 helicopter engine with a higher efficiency than the current 1200 engine. Spare parts for the old engine will no longer be delivered after 1988-89, 15 years after the last engine was delivered.

### Order Planned for 1986

Late this fall a 1400 engine will be tested in one of the navy helicopters. It has the same external size as the 1200 engine but requires new transmission



systems in the helicopters and minor modifications in the control system. If the Defense Materiel Command, FMV, selects Boeing's original engine for the Vertol helicopter, General Electric's T-58, the engine could be delivered much sooner but the costs and remodeling requirements would be quite different than will be the case if the Rolls Royce engine is chosen. The T-58 is not regarded as a realistic choice.

If the FMV engine tests show positive results bids can be requested this winter from various companies and if the government gives its approval an order could be placed during the first half of 1986. According to both FMV and Rolls Royce it would then be at least 2 years before a bulk delivery of H 1400-1 engines could be made since production just started and many customers with bigger orders than Sweden's are standing in line. If FMV decides to purchase parts of other customers' orders the price will be quite different from the 3-4 million kronor per engine that is now being quoted by the manufacturer.

Two engines must be replaced in each helicopter. This means 28 engines plus a reserve of five or six. The estimated total cost with tests and various transmission installations and modifications of control systems is 250 million kronor. A decision will be made later concerning the possible remodeling of the air force's remaining six heavy helicopters.

#### Heavier Equipment

The acute need to replace the engines in the anti-sub helicopters is a result of the use of heavier equipment on board which has led to turbine damage at a much earlier date than anticipated. Incidentally the damage has not been found anywhere else in the world where thousands of 1200 engines are in use. The damage has also occurred at the most delicate moment when the coastal corvettes are due to be ordered at a cost of almost a billion kronor. The government denies that the decision should have been made during the summer while navy leaders charge that the decision was delayed.

#### Toned Down

Outside observers believe the helicopter problems were deliberately toned down before they were revealed in the mass media to avoid interfering with the coastal corvette decision. The chief of the navy maintains that there is enough money for both projects.

For the time being anti-sub activities must be carried out with extremely limited helicopter resources and sonar-equipped vessels. It will not be until 1987-88 that helicopters can be used that have the new 1400 engines which have a greater capacity than the undamaged 1200 engines.

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MILITARY

SWEDEN

# NEWSPAPER ATTACKS RIVAL DAILY'S TREATMENT OF SUB ISSUES

Stockholm SVENSKA DAGBLADET in Swedish 30 Aug 85 p 2

[Editorial: "DAGENS NYHETER's Submarine Campaign"]

[Text] There is a man named Ingemar Myhrberg who has made it his life's work to try to prove that the submarine incursions were a pure fabrication. After the Submarine Defense Commission released its report, for instance, he tried to convince the editorial staff of SVENSKA DAGBLADET that the marks on the bottom of Harsfjarden could have been made by a caterpillar tractor!

Myhrberg also conducted an extended campaign based on the premise that the grounding of the U-137 off Karlskrona was the result of navigational error. When the military authorities later revealed the true course of the sub the air went out of that balloon.

It is not of great interest when an individual doggedly pursues an obsession. There may even be people in this country who believe that the submarine incursions were due to visits from other planets. We wish them joy in their continued belief in this theory.

What is interesting in this context, however, is that Sweden's biggest morning newspaper has taken on the task of legitimizing Myhrberg's fanciful ideas. Following in Myhrberg's footsteps DAGENS NYHETER waged an intensive propaganda campaign. In one article after another on the paper's editorial page Myhrberg's ideas were served up to the readers. But finally the effort had to be abandoned. When the U-137's course was revealed the rug was definitely pulled out from under DAGENS NYHETER's strenuous editorial efforts.

But it would be a shame to give in. Now that Myhrberg has published a book entitled "Submarine Waltz" DAGENS NYHETER's editorial page has resumed its activities. It is true that the tone is a little more restrained. But an entire leading editorial was devoted to arguments that arrived at the convoluted conclusion that Myhrberg could be right after all. The latest hypothesis, which DAGENS NYHETER was happy to pass along, is that the submarine traces in Harsfjarden were made by Swedish submarines.

The submarine violations of Swedish territory are a very serious matter. Sweden has been subjected in peacetime to repeated intrusions perpetrated

by the Soviet Union. The Submarine Defense Commission made it clear that a great many violations had occurred both before and after the Harsfjarden incident and that the Soviet Union was responsible for them. More recent violations have also been similar in character and must be associated with the Soviet Union.

"The submarine activity represents the preparatory stage in military operative planning," was the conclusion of the Submarine Defense Commission with respect to Soviet motives. The same kind of motive can also be detected in the activities of other eastern bloc countries against Sweden. The art dealers' systematic charting of key people, especially in the armed forces, points in the same direction. In other words these are coordinated preparations and exercises aimed at being able to knock out Swedish defenses quickly.

DAGENS NYHETER's repeated campaigns are playing directly into the hands of those behind these intentions. This is not a question of a critical investigation based on a reasonably factual foundation but at best an unconscious disinformation campaign aimed at the newspaper's large group of readers. Herbert Tingsten's newspaper has certainly sunk to a low level.

It may be objected that the irrational remarks on the editorial pages of DAGENS NYHETER will not convince anyone. But we cannot be quite sure of that. In a country where the foreign minister is Lennart Bodstrom it is possible that people also rely on DAGENS NYHETER from time to time.

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MILITARY

SWEDEN

BRIEFS

DETAILS ON VIGGENS' COLLISION--Norrkoping (TT)--It was not a technical fault that caused the collision between two Viggen aircraft on Thursday. The cause was lack of attention on the part of the pilots as they were practicing over Vingaker in Ostergotland. Hans Gullberg, chairman of the committee of inquiry, told the newspaper FOLKET: "It was human error that caused the accident. We did not find any technical fault in the aircraft." The family that wound up with a big hole in the roof of its home when a dummy rocket from one of the planes landed in its living room will have all the damage repaired at the state's expense. On Friday the family received flowers and an expression of deep regret from Borje Bjorkholm, commanding officer of F-13 [Bravalla Air Wing]. [Text] [Stockholm SVENSKA DAGBLADET in Swedish 31 Aug 85 p 6] 11798

CSO: 3650/348

ECONOMIC

BELGIUM

# ANCIAUX CRITICIZES GOVERNMENT ON BUDGET DEFICIT

Brussels LE SOIR in French 8 Aug 85 p 1

[Article by Vic Anciaux, General president of Volksunie: "Free Demolitions Tomorrow"]

[Text] It has become a custom for the liberals to find a way to promise a tax reduction every time elections are announced. It doesn't surprise anyone anymore. The real question is whether the public is still gullible. Because, in the meantime, it has been proven scientifically that it is precisely during administrations with liberal participation that the burden of contributions has increased.

Everyone agrees that the tax and tax-related burden is more than exaggerated. In fact, a tax reduction must take place in order to stimulate the motivation of the active population somewhat.

So, in principle, we should not approve the tax measures announced by the administration. However, one has to realize that, without a 1986 budget, such a promise of tax relief constitutes an imposture, pure and simple.

I understand the concern about the 1986 budget. There is nothing surprising about that if you know that the reports for the first two quarters tell us that the government has already borrowed 470 billion [Belgian francs] since the beginning of the year 1985. At that when the budget for the 1985 year provides for a total budget of only 495 billion.

The administration had announced that the 1985 deficit would be approximately 10 billion below that of 1984. But now, expenditures have already exceeded those of 1984 by 60 billion.

Along with that, it should be added that some 30 billion in interest expenses for 1985 has been transferred to the 1986 fiscal year and that the administration measures in favor of the steel industry will not be reflected fully until the 1986 budget.

Considering these facts, it is understandable why the parties in power shirk their responsibilities and have not dared to present the 1986 budget. However, that was the government's primary obligation.



It is clear that there is no possibility of a reduction of contributions in the 1986 budget. The administration has been unsuccessful in straightening out the public finances. It would, therefore, only be matter of delayed taxation. In reality, the final result can be nothing but another tax increase.

It must not be forgotten that ours is the only country in the OECD that has a deficit that exceeds the gross national product by 10 percent.

The administration is now promising us a decrease in the tax burden, just as it announced that, thanks to economy measures--blocking indexation, salary reduction, increased taxation--it would reduce this deficit to 7 percent of the GNP. Unfortunately, truth and reality are two different things.

During the administration of the current coalition, public debt has doubled and now reaches a total of 5,000 billion. That constitutes a debt of 500,000 Belgian francs per inhabitant. The burden of interest on this debt has increased to a total of 525 billion for the year 1985, in other words: 52,500 Belgian francs per inhabitant. On the other hand, the total tax burden has increased by over 10 percent. The purchasing power of an average household has dropped by over 12 percent. Then there was the 8 percent devaluation, while government expenditures were increasing to 63 percent of the GNP. And all of this under an administration of neo-liberal inspiration that had launched the slogan: "Less government."

Therefore, and it is indeed unfortunate, all of these elements show that the administration promises cannot be trusted and are without real value. Moreover, the simple fact that the administration cannot draw up the budget for next year proves that the highly touted tax reduction is nothing but an election slogan that it can never fulfill.

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ECONOMIC

DENMARK

# DANISH DESIGNED LOGICAR PROJECT GETS PRODUCTION FUNDING

Copenhagen BERLINGSKE TIDENDE in Danish 22 Aug 85 Sect III p 7

[Article: "Enough Money for Logicar"]

[Text] At the first meeting at which the latest plans for the Danish designed Logicar were presented in order to raise capital for development and production, the company that is responsible for the vehicle received so much support that it can probably count on raising the initial 55 million kroner that will be needed.

According to MOTORMAGASINET, there is a chance that additional capital could be pumped into the project.

Marketing chief Ib Langemack in Viborg announced that, within a period of weeks, his company would meet with three large investment firms to discuss capital.

At the same time, the company's telephones have been almost ringing off the hook with calls from private individuals who also would like to invest money in the new Danish car, which has an enormous advantage over most cars on the market, in that it can never rust.

International Automotive Design of England and Ford in Cologne are developing the automobile. The latter is handling the technical side.

Both have been given the green light by Logicar in Viborg to continue their work.

The first series-produced Logicar probably will not roll off the assembly line before 1987, however.

The municipality of Viborg has made a large area in the center of town near the railroad line available for further development.



Logicar--future looking brighter now.

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CS0: 3613/196

ECONOMIC

DENMARK

ELECTRONICS, ENGINEERING FIRM CHIEFS BACK HERMES JOINING

Copenhagen BERLINGSKE TIDENDE in Danish 5 Sep 85 Sect III p 11

[Article by Henrik Grunnet]

[Text] Denmark's extensive expertise in high technology has caused both the Office of Research and prominent electronics firms to recommend that Denmark support the French Hermes space program.

"The Hermes space program is one of the strongest and most advanced offers we have ever received in the area of high technology. I believe it is obvious that Denmark has been offered a great opportunity," said Christian F. Roving. Along with many other representatives of electronics and engineering firms in Denmark, he was invited yesterday to hear about the French Hermes space project. France is now inviting the other European countries to invest in the project.

By next year the 11 European countries that belong to the European Space Agency (ESA) must reach a final decision as to whether or not they will support the French space project.

The Danish researchers and industry people were surprised at how far the French space project had come. The project was described by the French delegation under the leadership of F. D'Allest.

In about 10 years the first manned space shuttle will be launched from the European space station in French Guyana if enough ESA members support the project, according to the French researchers.

There are many indications that this support will be forthcoming, since Europe already has chosen to support the international space station the Americans plan to construct.

"And the French are not interested in letting the Americans alone determine who will receive a 'ticket' to come aboard the space station," said Henrik Pers of the Office of Research.

Like Christian F. Roving, he believes that the French project is so advanced and so concrete that it would be difficult for Denmark not to join.

"Other high-technology European countries with strong economic growth have already offered their enthusiastic support for space research," Henrik Pers said.

So far, 16 billion kroner, to be paid by the member nations, has been earmarked for the Hermes project. Henrik Pers estimates that Danish companies could receive orders corresponding to 2 percent of the project.

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ECONOMIC

DENMARK

# SWEDISH, DANISH ECONOMISTS VIEW PROBLEMS FACING SCHLUTER

Stockholm DAGENS NYHETER in Swedish 5 Sep 85 p 9

[Article by Mats Lundegard]

[Text] Copenhagen--The Danish capital's classic old shopping street--Stroget--is now one long, meandering bazaar featuring a lot of gewgaws and clearance sales. It could serve as a measure of the Danish economy, which is a flourishing thing if one is to believe reports. So why aren't we doing the same as the Danes?

Because it is not possible politically, according to Social Democratic-leaning Swedish economists--and others. Or because our problems are different.

Besides, the fact is that shadows are overtaking the Danish marvel.

Denmark got a nonsocialist government in the fall of 1982. Economically, the country was thoroughly down and out at the time, with galloping inflation, growing unemployment, a rising foreign debt, and so on.

In from the right came Poul Schluter and his conservative, so-called four-leaf clover government: a solid nonsocialist coalition. Its prescription was freedom for market forces and tough times for wage earners. It quickly relaxed the rules governing the country's capital market but--unlike the Social Democratic government that had come to power in Sweden at the same time--refrained from devaluing the currency.

## Faith in the Future

As can be seen, Schluter then sat back in his chair and waited confidently for the reports of success, which began coming in as follows: exceptional economic growth in 1983, 1984, and 1985, a sharp rise in investment at home during the same period and the addition of 50,000 new jobs, a slow but steady decline in inflation and, after a rise in 1983, a decline in unemployment as well, along with optimism and faith in the future.

All that is true, but only partly true. As usual, it does not reflect the whole truth.

P.-O. Edin, an economist with the Swedish LO [Federation of Trade Unions], says: "I really don't understand the talk about favorable Danish development. The country has two basic problems: its current-account balance and unemployment. In those areas, no positive change can be seen."

#### Undermined

P.-O. Edin says: "A Swedish Social Democratic government could not permit an unemployment rate of 10 percent. It could not live with the kind of social effects we are beginning to see in Denmark, and it could not permit a deficit on current account like the one Schluter is putting up with. That deficit is completely undermining his triumph."

Edin also talks about the structural differences between Sweden and Denmark: Swedish industry with its large units--the Swedish economy is much larger all down the line, compared to Denmark's concentration on its home market and its dependence on the EC (which determines, among other things, when and how a Danish minister of finance can devalue)--and a Swedish Social Democratic Party that carries more weight than the Danish party ever has.

#### Surprising

It can be said, of course, that Edin is paid for making critical remarks about a nonsocialist Danish Government's economic policy, but there are also those in Copenhagen who are cautioning against optimistic views of the future. Most economic observers seem to agree that the recovery in Denmark has a number of good and genuine qualities--and also that it came as a tremendous surprise to most of them.

It can be said in retrospect that the conditions for Poul Schluter's success were exceptional. A very tired outgoing Social Democratic government had failed magnificently with its economic policy and had produced a patchwork of feeble compromises and political distrust over the years. And unemployment in the country was so high that the union movement, which could have stood behind Anker Jorgensen, had been weakened considerably. When 1 worker out of 10 is jobless, union solidarity and Social Democratic traditions tend to be undermined.

#### Angry Outbursts

As a result, Schluter was able to act with a minimum of regard for the workers in general and the political opposition in particular. And he did so.

He began by deindexing wages so that they no longer kept pace automatically with inflation. He has also legislated wage increases (2 percent this year, 1.5 percent next year). This caused angry outbursts and strikes last spring, but the resistance was temporary, and the brake on wages is having its effect: the firms are earning money, investing, and expanding.

At least that is what they would be doing if everything were going according to the book. But everything is not. It is true that Danish business is

making a lot of money from the recovery, which has stimulated demand--chiefly for consumer goods at home--and from what amounts to a freeze on wages.

### Worries

Danish firms are also investing, but according to a report from the Danish LO's economic researchers, not nearly as much as they ought to be. Above all, Danish industry is not expanding in the sector where it would be worthwhile to do so--that is, in exports.

This is one of the worrisome questions facing the government's economists, because hefty growth in exports might reduce the current-account deficit. And that is something that must be achieved. It is big (20 billion Danish kroner, or a little over 3 percent of the GNP) and still growing, thus constituting a threat for the future. Moreover, the government has promised to wipe it out by 1983 (although nobody believes that promise any longer).

### Impossible

Independent economists--if indeed there are such people--have calculated that Danish exports would have to rise by 15 percent per year for 3 years to wipe out the deficit in the balance of payments. That is an impossible task. It has been said that that calculation is somewhat exaggerated, but it points to what others are also saying: that Poul Schluter and his economists will probably soon have to adopt unpopular measures. What this means is that demand on the domestic market will have to be checked because it equates to imports. And because it may be leading astray domestic industry that ought to be selling abroad and earning export revenues.

### Can Borrow

"We can still borrow money abroad," says Niels Thygesen, who is one of the "three wise men"--a government advisory group. "We could rescue the situation in that way, but is it rational to do so?"

He answers his own rhetorical question by saying that it is not rational to do so. This means that taxes may be increased, even though doing so goes against the government's ideology. Niels Thygesen is guessing that there will be an increase in the value-added tax and perhaps a higher tax on alcohol, tobacco, and energy. But not before the municipal elections in November.

Thygesen admits that austerity, no matter how slight, may cause unemployment to rise again.

He says: "But Danish unemployment has always been somewhat inflated."

### Human Loss

He does not say so, but he seems to feel, like the Schluter government for that matter, that unemployment is not the biggest problem to worry about in Denmark's economy.

"That is it exactly," says Carsten Koch, an economist at the labor movement's Secretariat for the Economy in Copenhagen. "The distribution policy is something that this government pays very little attention to. It talks casually about A and B teams in the country, but the statistics show terrible differences. People are being hit very hard."

And that is obvious in Copenhagen, although perhaps not on Stroget, which is where this story began. Taking root just blocks away from the selling and the happy shopkeepers is the kind of destitution usually found farther south in Europe or--why not?--in Margaret Thatcher's Great Britain. The human loss in terms of young people cast into "the army of the unneeded," the gaps, and the lack of mercy are all hard-to-measure quantities in economic calculations, but they are supremely real.

#### Schluter's Successes

Economic growth  
Rising investment  
50,000 new jobs  
Declining inflation

#### What They Have Cost the Danes

High unemployment  
Frozen wages  
Slow growth in exports  
Large deficit on current account

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CSO: 3650/339

ECONOMIC

DENMARK/GREENLAND

# GREENLAND AFFAIRS MINISTRY ATTACKED FOR MISMANAGEMENT

Copenhagen BERLINGSKE TIDENDE in Danish 4 Sep 85 p 6

[Article by Ole Tøll and Thorkild Dahl]

[Text] Government auditors have sharply criticized the administration of public housing in Greenland. A report to the Comptroller's Office speaks of "certain deficiencies in the ministry's internal procedures."

"The investigation by government auditors has shown that the administration of government housing in Greenland is troubled with significant errors and shortcomings on the part of both the local administration in the municipalities of Greenland and the Greenlandic Affairs Ministry."

This was stated in a report by government auditors to the Comptroller's Office on "administration of state-owned rental properties and personal housing in Greenland." The report concludes as follows.

"Many of the conditions found by government auditors have existed for a long time without the full knowledge of the ministry. In the opinion of the auditors, this must be due to defects in the internal procedures and communications of the ministry and to problems related to the use of the central computerized pay system."

The state owns almost half the 15,200 houses in Greenland. The Home Rule government and the municipalities own about 11 percent, while the remaining 40 percent are privately owned.

The state's payments due in connection with housing rentals and heating subsidies have increased dramatically in recent years. The accountants showed that this figure was 10.8 million kroner in 1980. The corresponding figure in 1984 was 48.6 million kroner.

Previously, Minister of Greenlandic Affairs Tom Hoyem (Center Democrat) has offered special courses for Greenlandic municipalities in debt collection. The minister has demanded that the money be paid but, at the same time, he has admitted that debt collection in Greenland can be extremely difficult. It



is impossible, for example, to shut off electricity and heating to houses because of possible damage to the distribution network. In addition, it would be difficult to put people out on the street if alternative housing could not be found.

Government auditors also concluded that in many municipalities "a large number of entering and accounting errors are made. One reason for this is that the ministry's bookkeeping system is extremely detailed," it was said.

The auditors' report also points to a number of problems in operation and maintenance at government housing areas. Here are several examples of the criticism.

Lack of maintenance;

Mixing of state and local funds;

Papers improperly filled out.

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CSO: 3613/196

ECONOMIC

ICELAND

# ECONOMIC AGENDA FOR UPCOMING PARLIAMENTARY SESSION

Reykjavik MORGUNBLADID in Icelandic 30 Aug 85 p 24

[Editorial: "Problems for the Althing, and the Nation As Well"]

[Text] Summer will soon be coming to a end, bringing with it the close of this session of the Althing, and the beginning of the recess for the legislators, continuing on through the warmest days of the year. The Althing will not be meeting again until mid-October. Presumably both the government supporters and the members of the opposition will be utilizing their vacation time wisely, preparing substantial, goal-setting proposals on those issues which will be of the greatest trouble and concern to government budgeting and national economy in the coming months.

If things proceed as it seems likely, the proposed 1986 budget will be the first proposal to be presented in the Althing by the governing parties. It is definitely to be expected that the investment and loan budgets for the coming year will be drafted in accordance with the proposed budget--as well as the economic budget for the near future. This should follow very closely the policy goals of the governing parties and the government itself relative to the chief issues in our national affairs.

Despite considerable cutbacks in many aspects of the government budget, it is likely that there will be a genuine budget deficit in 1985, as a result of the capital losses and lower national income we have experienced in the past year. The reasons behind the deficit are manifold, including the following:

1. In the first place, efforts have been made to stop the increasing trade deficits relative to other countries; these trade deficits were used for income generation by previous governments. Imports in the past few years, which have greatly exceeded exports, have yielded considerable harvests for our national treasury in the form of customs and importation fees.

2. In the second place, those funds which previously were involved in consumption demand and trade deficits have been used in domestic saving to a greater degree than before. This is a healthy development. The more widespread the habit of domestic savings becomes, the less threatened Icelandic employment will be by foreign capital. Capital resources are a tool in the hands of the workers. The burden of payment, that is, the rent paid on

this foreign capital, is unbelievably high--partially because there has not been enough domestic saving. This has worsened the general standard of living. This savings pattern, on the other hand, has worsened the consumption tax for the national treasury. There is no doubt that additional interest systems and better interest rates for savers will play a most important role on the newly-formed savings scene.

3. In the third place, the first steps in reducing the income tax on ordinary working income went into effect this year. Presumably this will be continued, until the government has fulfilled its promises in relation to this.

The government and the Althing will be faced with a number of dilemmas relative to planning the budget. There are three available plans of action: 1) Further cutbacks in the national budget; 2) Higher taxes; and 3) A time-limited deficit in the national budget, until our nation can work its way out of most of its problems. It is probable that all of these steps will be taken simultaneously, although the last two are emergency measures and actually are in opposition to the policy goals previously set by the governing parties.

We are anxious to see those particular policies of the government come into effect which have become apparent in the proposals for the national budget, the loan budget and the economic budget. These policies not only will make a significant mark on most aspects of everyday life here in Iceland, but will also affect the government's actions and popularity, as well as, in fact, the coming parliamentary elections, which will soon be upon us.

There are more things than the status of the national treasury that people will be thinking about in the last weeks of the parliamentary recess. The status of the professions, particularly those involved with manufacturing, will be much in our thoughts, as well as developments in inflation and currency exchange. People will be asking: Will the falling dollar be bringing the krona down below the limits imposed by the government? Will the results we achieved--initiated by the government, but followed up by real sacrifices by the general population--in bringing inflation down, from 130 percent to 20-30 percent, remain effective? Or were these sacrifices made for nothing?

The problems that are currently being wrestled with are not only the problems of the upcoming Althing session. From beginning to end, they are problems affecting our entire nation. We hope for widespread feelings of national solidarity towards solving them successfully.

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CSO: 3626/53

ECONOMIC

ICELAND

## CHINA SEEN INTERESTED IN JOINING ALUMINUM COMPANY

### Possible Chinese Investment

Reykjavik MORGUNBLADID in Icelandic 3 Sep 85 p 60

[Article: "Expansion of Straumsvik Aluminum Plant: People's Republic of China Expresses Interest in Cooperation"]

[Text] "Ready to Negotiate," Says Sverrir Hermannsson

The Chinese National Nonferrous Metal Industry Corporation has expressed interest in beginning negotiations with Icelandic government authorities and leaders of Alusuisse about possible participation in the expansion of the Straumsvik Aluminum Plant. Minister of Industry and Energy Sverrir Hermannsson disclosed this in an interview with MORGUNBLADID late last evening from London where he is now. The minister went to London after conference with leaders of Alusuisse in Lugano last Friday.

The following is reported in a statement MORGUNBLADID received yesterday evening from the minister of industry, Alusuisse and the People's Republic of China: "The Chinese National Nonferrous Metal Industry Corporation has expressed interest in exploring the possibilities of cooperation with Alusuisse about an increase in aluminum production in Iceland. All parties concerned have expressed interest in exploring this further."

Minister of Industry Sverrir Hermannsson said in an interview with MORGUNBLADID yesterday that the People's Republic of China, Alusuisse and the Icelandic government authorities are ready to begin negotiations on a 40,000 ton expansion of the Straumsvik Aluminum Plant with the People's Republic of China as shareholders and investors and Alusuisse as the operator. and Hermannsson said that this is a unique case and the first attempt the Chinese to open the window to the western world.

"I am extremely pleased with this," said Sverrir Hermannsson. "There are unbelievable possibilities within the Chinese market if it proves possible to open up relations with such a nation. I want, however, to underscore that this is not the same as having reached an agreement; there exists only a joint statement about starting negotiations. The Chinese are known to be tough

western countries but this is, of course, a noteworthy political event."

According to information MORGUNBLADID received, the Chinese National Nonferrous Metal Industry Corporation has the same power as a ministry and handles all metals other than iron.

#### Hopes Tied to Potential Cooperation

Reykjavik MORGUNBLADID in Icelandic 4 Sep 85 page not given

[Article: "Great Hopes Tied to Potential Cooperation With Chinese in Aluminum Industry; 'Western Countries Gaze Hopefully at China,' Says Dr Muller, Former Director of Alusuisse, Advisor to the Chinese Government on Aluminum Affairs"]

[Text] It is the judgment of Foreign Minister Geir Hallgrimsson, Birgir Isleifur Gunnarsson, chairman of the Intensive Energy Industry Committee and Dr Johannes Nordal, chairman of the Negotiating Committee on Intensive Energy Industry, that great opportunities could open up to Icelandic economic life if an agreement will be reached between the Chinese National Nonferrous Metal Industry Corporation Alusuisse and Icelandic government authorities about the Chinese becoming shareholders in the expansion of the Straumsvik Aluminum Plant. As comes forth in a back page article in MORGUNBLADID yesterday, the People's Republic of China has expressed an interest in such cooperation.

"I would consider it very positive if an agreement favorable to both parties would be reached on the expansion of the Straumsvik Aluminum Plant, and that the Chinese would become participants in that operation," said Foreign Minister Geir Hallgrimsson when MORGUNBLADID inquired about his opinion on the possibilities that the Chinese would become shareholders in the Straumsvik Aluminum Plant when the expansion is implemented.

The foreign minister said that it is obvious that Chinese government authorities are opening up to foreign investment and that it is also obvious that they are intending to invest abroad. "The Chinese economic system has been extremely closed until now, as well as being centralized," said Hallgrimsson, "but there are many signs afoot that indicate that it is now opening up and that the market forces will be allowed to decide. The cooperation between Iceland and China on the aluminum smelting will open various ways for Iceland to increase business with China, in trade ingenuity and service if matters are handled correctly."

Hallgrimsson was asked whether it could not pose serious consequences for Iceland if such cooperation would come about and the Chinese economic system would close again later. "We must evaluate that each time, but I see no reason not to shake the extended hand and support in our own way the effort China is showing towards liberalism in cooperation with the Western countries," said the foreign minister.

"Dr Muller Advisor on Aluminum Affairs to the Chinese Government"

"The Chinese must, of course, make sure they have guaranteed source of aluminum and their interest is without a doubt based on that, as they have had to import a considerable quantity of aluminum every year. As shareholders in



such a plant, they would have a guaranteed quantity of aluminum available for purchase every year," said Birgir Isleifur Gunnarsson [MPIP] in a conversation with MORGUNBLADID yesterday. Gunnarsson said that his opinion was that this connection with China had come about because Dr Muller, former director of Alusuisse, who was instrumental in handling the relations between the Icelandic government authorities and ISAL [Icelandic Aluminum Company], is now an advisor on aluminum affairs to the Chinese Government.

"Currently, all Western countries are gazing hopefully toward China and I understand that there have been many trade delegations in China in recent months, both from the private sector and the public sector, from all over Europe," said Gunnarsson, "which probably is due to the enormous marketing possibilities that seem to be opening up there now."

#### Chinese Enjoy Extremely Good Credit Rating

Dr Johannes Nordal, chairman of the Negotiation Committee for Intensive Energy Industry, said in a conversation with MORGUNBLADID yesterday that as far as he knows, the Chinese do not participate in any industrial efforts in the Western countries. They do, of course, in Hong Kong, but he said he did not know of any other.

When asked what he considered the reasons for this interest expressed by the Chinese, Nordal said: "In recent years, the Chinese have imported a considerable quantity of aluminum and in the years to come they will have considerable need for aluminum beyond their capacity to increase their own production. Therefore, they obviously are interested in establishing better safeguards concerning sources of aluminum at an acceptable price."

Nordal was asked what kinds of possibilities he thought such a cooperation with the Chinese might open up to Iceland: "China is not only the largest nation in the world but it is also considered quite likely that there will be an enormous increase in China's foreign trade in the coming years. They are making a definite effort to change their economic system; i.e. to have greater freedom and increased trade with other countries. It is quite likely that if we enter into cooperation with the Chinese in this field that it would serve as a stimulus for further relations that could be advantageous for us."

Nordal said that he did not doubt that the Chinese were capable of providing the capital needed if the agreement was reached, as they enjoy a good credit rating. Based on that, he said that he did not feel that providing the capital for the expansion of the aluminum plant would be any stumbling block for the Chinese. Nordal said that he did not want to speculate on the negotiations at this stage. In fact, there is nothing concrete except the interest of the parties to start negotiation talks. The Chinese need to study various data concerning the practicality of aluminum production in Iceland before they decide whether to enter into contract negotiations.

## Extremely Reliable Trading Partners

Reykjavik MORGUNBLADID in Icelandic 4 Sep 85 page not given

[Article by MORGUNBLADID correspondent Anna Bjarnadottir: "Possible Investment by China in Aluminum Industry in Iceland; 'China Is a Very Reliable Trading Partner,' Says Alusuisse Deputy Director"]

[Text] Zurich 3 Sep--The People's Republic of China has expressed interest in a possible investment in aluminum industry in Iceland in cooperation with the Swiss company Alusuisse as has been reported. It is not yet known when the negotiations can begin but Dr Dietrich Ernst, deputy director of Alusuisse, told MORGUNBLADID today that would probably leave for China soon and matters would then become clearer.

"Possible cooperation with China first came about this summer when I was in Iceland and the tax agreement was signed," said Dr Ernst. "We knew that China is interested in investing in metal industry abroad and Icelandic leaders were immediately agreeable when we mentioned a possible cooperation with them in Iceland."

Dr Ernst said that he has conducted some business with China on behalf of Alusuisse and that the Chinese are a very dependable trading partner. He said that as far as he knows, China has not invested abroad and this could therefore become their first foreign investment if an agreement is reached about cooperation in Iceland.

Alusuisse operated an aluminum plant in Shanghai, China at the end of the twenties and the beginning of the thirties. This plant was taken over during the revolution and nationalized but Alusuisse received full compensation in the form of various merchandise, such as silk stockings and carpets.

Dr Paul Muller, former director of Alusuisse, who mainly handled all the negotiations between Iceland and Alusuisse in the beginning, is now and advisor on metal industry affairs to the government of the People's Republic of China. He is on the Alusuisse Board of Directors. Dr Muller and Icelandic leaders attended an informal meeting on industrial affairs and Dr Ernst was in Lugano Friday. Great secrecy prevailed about that meeting as the Chinese had requested that it should not be announced immediately that they were planning a possible cooperation with Alusuisse in Iceland. Dr Muller could not be reached today.

## No Figures Decided As Yet

Reykjavik MORGUNBLADID in Icelandic 4 Sep 85 p

[Article: "Minister of Industry Sverrir Hermannsson: No Definite Figures Discussed"]

[Text] "Nowhere at all did I as much as hint at any definite figure with regard to the sale of electric power nor did I mention such a figure. I will not do that until the contract has been finalized, whoever we negotiate with," said Minister of Industry Sverrir Hermannsson in an interview with

MORGUNBLADID yesterday when he was asked whether it was under discussion to sell a kilowatt-hour of electric power for 10 mills in connection with the planned expansion of the Straumsvik Aluminum Plant.

Hermannsson was asked whether a great number of Chinese would come here to work if an agreement would be reached between Icelandic authorities, Alusuisse and the Chinese: "Far from it," said the minister, "they will without a doubt send some technicians to Iceland to learn this and become familiar with the technique, but Alusuisse would provide all technical expertise and sell it--that is a primary condition posed by Alusuisse. Only Icelandic workers would be employed there as is now the case at the Straumsvik Aluminum Plant."

#### Opposition Parties on Potential Cooperation

Reykjavik MORGUNBLADID in Icelandic 4 Sep 85 p 4

[Article: "Government Opposition on Possible Cooperation With China in Aluminum Industry; Position of People's Alliance on Foreign Capital Unchanged"]

[Text] The possibility of a cooperation with the Chinese on aluminum production in Straumsvik has aroused undivided attention as it is not every day that the Chinese consider investing in intensive energy companies in the Western countries. As came forth in MORGUNBLADID yesterday, Foreign Minister Geir Hallgrimsson, Birgir Isleifur Gunnarsson, chairman of the Intensive Energy Committee and Dr Johannes Nordal, chairman of the Negotiation Committee on Intensive Energy, were all in favor of such a cooperation. Yesterday, MORGUNBLADID asked the leaders of the government opposition parties about their opinion on a cooperation with the Chinese if this comes about.

"The Lands of Confucius Show Great Respect for the Law of Trade"

"I have nothing but good to say about our cooperation with the Chinese in intensive energy affairs if it comes about," said Stefan Benediktsson, Social Democratic Alliance member of parliament. "Perhaps it is easier for us to conduct direct human relations with nations with similar culture," said Benediktsson, "but to balance that is that the Western nations are perhaps even tougher in business than the Chinese. It is a well-known fact that these lands of Confucius have great respect for the law of trade and place mutual interest above all."

"People's Alliance Position Does Not Change Although China is Involved"

"Our position on foreign capital in industry in the country has not changed. We feel that Icelanders should be majority shareholders in firms and we feel that it must be ensured that the business adapts normally to Icelandic economic life and that it pays full energy prices," said Svavar Gestsson, chairman of the People's Alliance. "I do not feel that it changes anything about the nature of the Straumsvik Aluminum Plant if the Chinese become some kind of minority shareholders there, and no reports have been issued about how high an energy price they will pay," said Gestsson. Gestsson said further: "I have heard that the minister of industry and energy is on his constant sales pitch travels world-wide offering electricity for 10

mill Kwh (mill is 1/1000 of a U.S. dollar and Kwh is an abbreviation for kilowatt-hour: insert MORGUNBLADID). It is, of course, totally absurd as everybody can see, as the production cost is 18-20 mill. I therefore fail to see that the origin of the capital would in any way affect our position. I think that the only solution to the problem that the Straumsvik Aluminum Plant has created is to nationalize and have the Icelandic nation own this operation and run it."

"Nothing to Say About It"

"There is nothing to be said about it at this stage," said Jon Baldvin Hannibalsson, chairman of the Social Democratic Party. "It is fine that they talk and that is the only thing that has been decided. The idea that the largest nation and the smallest nation in the world will be cooperating is, of course, quite interesting, even if Dr Muller would be the middleman," Jon Baldvin Hannibalsson said further.

No member of the Women's List could be reached.

#### Ministers on Sale

Reykjavik MORGUNBLADID in Icelandic 4 Sep 85 p 9

[Commentary by 'Staksteinar': Expansion of the Straumsvik Aluminum Plant: The People's Republic of China Expresses Interest in Cooperation. 'Ready to Begin Negotiation Talks,' Says Sverrir Hermannsson ]

[Text] THJODVILJINN Reprimands!

The aluminum issue was discussed in the THJODVILJINN editorial yesterday. In the editorial, the paper reprimanded Hjorleifur Guttormsson, former minister of industry, for accepting an invitation from Alusuisse to travel abroad during his term in office. At the same time, the paper discusses a similar trip to Lugano by two current ministers, Sverrir Hermannsson and Geir Hallgrimsson, at the invitation of the same company. Their trip seems, however, to have borne some fruit which is different from Guttormsson's trip. Today, STAKSTEINAR will discuss this, as well as discussing the writings in THJODVILJINN in which it opposes the rights of minority groups to promote their views.

THJODVILJINN, Views of Minority Groups

Yesterday, THJODVILJINN published some strange writings under the heading "Klippt og Skorid." The author, Oskar Gudmundsson, editorial writer for the paper, elected as his topic two articles that were published here in MORGUNBLADID. One is by Jon Th. Arnason and the other is an interview which a MORGUNBLADID reporter had with Hilmar Kristjansson who 20 years ago emigrated from Iceland to South Africa, where he has lived since. Both articles obviously touched a sore spot with THJODVILJINN and the ideas and views that are expressed there are obviously displeasing to the paper. And, of course, it can be argued that the same can be said about most people in Iceland. Icelanders have, however, been lucky enough to preserve their freedom of speech and freedom to write, and they have tolerated that certain individuals



have been of a different opinion than what is generally accepted. That does not seem to be the case with THJODVILJINN.

#### Urging Censorship?

In the opinion of THJODVILJINN, it is deplorable on the part of MORGUNBLADID to publish articles and interviews in which the Apartheid policy pursued by South Africa is defended, and where the opinion General Patton had on the Germans and the Soviets is expressed. By publishing such articles, THJODVILJINN feels that MORGUNBLADID is agreeing with the person being interviewed or the person holding the pen. But nothing is further from the truth. MORGUNBLADID is, however, of the opinion that individuals have the right to express their ideas publicly, although they may clash with the ideas held by others, including MORGUNBLADID. THJODVILJINN seems to disagree with this and the question is therefore posed: Is THJODVILJINN encouraging censorship and is the paper against the free exchange of opinions being conducted in the Icelandic mass media?

#### Guttormsson Reprimanded!

The same day that the aforementioned article was published in THJODVILJINN, the paper takes it upon itself to send comrade Hjorleifur Guttormsson, former minister of industry, a reprimand in an editorial. The editorial discusses Minister of Industry Sverrir Hermannsson's and Foreign Minister Geir Hallgrimsson's trip to Lugano at the invitation of Alusuisse. THJODVILJINN criticizes the ministers for accepting the invitation. They must, of course, defend themselves. The paper's writings can, however, not be understood in any other way than that Hjorleifur Guttormsson, who accepted a similar invitation during his term in office, is being reprimanded. The late Magnus Kjartansson, former editor of THJODVILJINN, also accepted a similar trip when he served as minister of industry from 1971 to 1974. The following is stated in the editorial, among other things:

"It is, of course, totally indefensible that Icelandic leaders stoop so low as to letting an international cartel support them abroad, even though it involves contract negotiations. The Icelandic nation can well afford to pay for its own people; it does not have to accept alms from foreign firms, especially not from the ones that have genuinely attempted to cheat the nation during the last few years, such as Alusuisse.

"Aside from that, the old saying "a gift for a gift" is still valid and it is hard to imagine that men who have accepted the invitation to stay in a famous tourist town with free room and board from an infamous cartel, are well suited to be the nation's representatives in difficult negotiations that later might be dependent upon this same cartel. It is unfortunately a fact that methods exactly like this are used to soften and weaken, to reduce the sharpness of the opponents' bite. It must be stated that it is depressing to see how eager the Icelandic leaders and ministers are to pick up any pieces that Alusuisse drops their way."

Off Target

The second THJODVILJINN editorial yesterday is one of numerous examples of how the paper's editors fail when discussing intensive energy industry affairs.



The trip to Lugano is also discussed. The paper maintains that there is very little hope that any results will be gained from the trip because Alusuisse is not interested in expanding the Straumsvik Aluminum Plant. THJODVILJINN's misfortune is remarkable. That same day, MORGUNBLADID publishes a back page article in which it is reported that the People's Republic of China, the largest nation in the world identifying with socialism, has expressed interest in cooperating in the expansion of the aluminum plant. This was the outcome of the trip to Lugano.

It will be interesting to see what position THJODVILJINN will take on the Chinese investment in Iceland, especially when considering that the paper and the People's Alliance have always opposed foreign investment in the country. We wonder if THJODVILJINN's view on the Chinese dictatorial state will be different than their view on western firms and individuals.

#### Expansion Would Provide Work

Reykjavik MORGUNBLADID in Icelandic 5 Sep 85 p 9

[Article: "Expansion of Aluminum Plant Would Take 3 Years and Would Provide Work for About 230 People"]

[Text] It is estimated that it would take 3 years to expand the Straumsvik Aluminum Plant after a decision has been made to go ahead. This would be a 50-percent expansion, i.e. from 88,000 tons of annual production to 132,000 tons of annual production. This came forth in a conversation MORGUNBLADID had with Ragnar Halldorsson, director of ISAL [Icelandic Aluminum Company]. The report was published earlier this year.

Halldorsson said also that the plan was to build 2 new short vats parallel to the existing ones between Reykjanesbraut (road) and the old vats. The cost of the expansion is estimated at about 1.2 billion dollars, i.e. almost 5 billion Icelandic kronur. The same method would be applied in processing the aluminum in the new vats and it is estimated that the expansion would require about 6-700 Gwh (Gwh equals 1 million Kwh).

There are now 650 full-time employment positions in Straumsvik, but after the expansion there would be about 880, so it would be necessary to hire 230 additional employees.

From the time production began in Straumsvik in 1969, over one-third of ISAL's income from sales, or about 16 billion kronur, has gone to the Icelandic people.

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ECONOMIC

ITALY

# COURT OF ACCOUNTS ON FLAWS IN PUBLIC SPENDING

Milan MONDO ECONOMICO in Italian 15 Jul 85 pp 86-88

[Article: "Audit Body Denounces"]

[Text] Pitiless x-ray of disfunctions in public finance. Basic imbalance must be corrected from its roots. That is the meaning of the indictment concerning the government's 1984 annual report made by the General Counsel of the State Accounting Office Raffaele Capiello in Rome on June 26.

Administrative developments in 1984 disclosed the structural nature of basic imbalances in public finance, and once again emphasized the crucial importance of the role of external control and reporting to Parliament entrusted by the constitution to the State Accounting Office [SAO]. Along with the presentation of a medium range planning document (the so-called "Reentry Plan"), the Treasury approved (and Parliament is preparing to examine it), draft legislation for reform of the State Accounting Office. The need and urgency to update the organization of the accounting magistracy throughout the entire range of its responsibilities and authority, both jurisdictional and auditing, and to bring it in line with the changed conditions of the economy and society, have been sharpened by renewed attention to the goal of reforming public finance. The effort toward a return to a balanced budget is guaranteed and protected by the exercise of an independent outside audit and by modern accounting oversight which make it possible to wed the needs of rigorous accuracy and centralization with necessary protection of subjective juridical positions of citizens and areas of independence constitutionally guaranteed to local entities and to the social dialectic. In this sense, SAO reform takes its place as an essential element of the plan for the restoration of a substantial "governability" to public finance. Although the 1984 fiscal year report follows the traditional pattern of SAO reports to Parliament, it is distinguished from them by its content on specific matters. The general portions which open the report dedicated to the problems of budget and accounting regulations, to legislation on expenditures and the critical examination of the administrative annual report, starting with the diagnosis of organizational matters, pinpoint the institutional consequences. In particular, procedures in budgetary decisions and the entire system of public finance, as well as legislative appropriations practice. These consequences derive from the objectives of restoring balance and returning to budgetary control.

The treatment of the special section, as usual regarding individual ministries, is accompanied by an explanation of the results of "horizontal" analyses dedicated to the following: public scientific research and agricultural expenditures; progress in the administration of some multiyear laws in the sectors of public safety, the merchant marine and labor; analysis of ties, in regard to public enterprises, between ministerial responsibilities and those attributed to state holdings enterprises and, as regards industrial policy, to the modalities of administration of incentives policies; public agencies outside the country which are subject to SAO control.

#### Budget Innovations.

Again in 1984, there was a continuation of the difficult course of implementation of Law No 468, 1978, which for the first time saw the application of innovations introduced by Chamber regulations on the "budget session" and for the second straight year made possible approval of the financial and budget legislation before the end of the year. But the assessment of progress in the administration of public finance and, still more, a medium-term projection of current trends, show that the objective of restoring balance and controlling the public finance system is still distant.

It can be said that the greater clarity and richness of information typical of the new budget procedures make it possible today, more than 5 years after the effective date of budget reform, to identify basic problems far more clearly. With the presentation of medium range planning documents--such as the 1985-1987 draft budget and the so-called "Reentry Plan" for the 1986-1990 quinquennium--an effort is made to identify organizational themes which affect the development of public finance, objectives to be pursued, and methods and means of planning action directed toward fixed objectives. But the gap between planning statements and real decision-making processes must be overcome by a more analytical and disciplined determination of general and sectoral choices to be made and the "government" instruments and control of public finance to be utilized, adapted, innovated, and introduced.

Short range economic policy and 1984 budget policy slowed down the increase of the Treasury's revenue needs (reduced by one percentage point of the GDP [Gross Domestic Product]; but the less favorable situation reported by disbursements and the progress of aggregates which directly show the influence of the public sector budget on the economy, demonstrate the limits of a tactic that influences the financial phenomena and short range progress rather than the structural factors destined to have a lasting effect on economic development.

The tensions and the more deviant centrifugal forces are to be traced to three essential factors: mechanisms of allocation in appropriations legislation; the relationship between the state and entities external to the public administration; the extent, the efficiency and the content of the annual budget decision. The greatest formal attention paid by Parliament and by the government to the correctness of the allocation clauses so far have had no effect on the substance of things. The individual laws on current and recurrent expenditures or those from the multi-year capital account

specify the means of allocation, in most cases in a formally correct form but without supplying examples--soundly based technically and correlated to macroeconomic events--of their substantial validity. There is no lack of an ample case history--which is stressed in the report--of the means of allocation within the limits of constitutional correctness. An overall assessment leads one to pessimistic considerations on the relationship between the legislative practices concerning expenditures and the precepts contained in Art 81 of the Constitution.

The attempt to establish a public finance system in which the state is the only entity in deficit, based on Law No 468 from an accounting point of view, is not defensible, in substance, in the face of the reality of a complex society such as our own characterized by the presence of independent decision-making centers and a free social dynamic. The formulation of budget policies in recent years has handed over to financial legislation (or urgent measures regarding particular local finance and social security and public health finance) the task of imposing ceilings, which in theory cannot be exceeded, on the development of expenditures by decentralized institutions. These are useless barriers since legislative indexing regulations, citizens' active subjective legal positions and the inherent rationale of the expenditure decision and the budget actions by decentralized agencies push the dynamics of expenditure outside any possibility of control and guidance by the government and Parliament.

Finally the annual budget decision (finance and budget legislation) which is relied upon to assure the integration between efforts toward restoration of balance and short-term activities, risks failing to exercise its own role since it is subjected to conflicting tensions. On the one hand, administrative and legislative mechanisms introduce uncertainties into the "prohibition against change during the fiscal year" in terms of the outside limit posed by financial legislation (net accounts to be financed, resort to the market); on the other hand, multi-year decisions inserted, without persuasive reasons and without the basis of an adequate substantial discipline, go beyond the limits of the short term. Finally, the difficulty of concentrating within the time of the budget decision at least the essential part of short-term action reduces the significance of financial legislation and represents a departure from Law no 468 (Art 11).

The report on the general accounting of the state for 1984 specifies, following work started some time ago by the State Accounting Office, certain specific methods and means of reform within the institutional framework of "control" of public finance, consistent with the objectives and "external regulations" established by the "Reentry Plan" of 1986-1990. Examination of 1984 appropriations legislation (and of some more substantial appropriations laws of 1985) show how beyond formal adherence to Art 81, Sec 4 of the Constitution, the clauses referring to allocations adopted recently, for part of the major costs deriving from Laws No 140 and 141, 1985, concern pension adjustments.

Partial coverage through future increases in IRPEF [Personal Income Tax] revenues which it is expected will come from a sharper rise in individual



incomes following the pension increases approved by the new law mentioned, goes to the extreme limits of constitutional propriety. A risky rule is established which leads to self-perpetuation and automatic allocations for absolutely unacceptable current expenditures. Other, even though less serious, anomalies are cited in the report concerning the use of special funds for the coverage of current expenditures of a continuing nature and of multi-year expenditures from the capital account, resort to allocations that directly affect the specific limits set by financial legislation (a method that is acceptable only for expenditures within a given year), resort to reserves in special Treasury accounts, and direct resort such as allocations for new or greater expenses that would expand the public debt (foreign debts, issuance of securities).

In order to guarantee application of financial law in a way that is rigorously consistent with the formulation of budgetary regulations established by Law No 468, the SAO again emphasizes the need to avoid change, during a fiscal year, of authorized disbursements set by financial legislation, and the need to adopt the budget decision-making period as the essential moment to define short-term economic policy.

For these purposes, the court suggests the following: the advisability of confining the decision on special funds to the finance law (thus adopting for new allocations of resources a technique that can be assimilated into the "zero budget"); the usefulness of fixing within the financial law--even if as terms of reference that are not rigidly binding--the amounts needed for the "corrected" current account (that is, net of the effects of inflation on interest) for the entire government sector--not only for the administration of the national budget, but also for the Treasury budget.

As to the crucial problem of the relationship between a budget decision adopted by Parliament and policies on expenditures and revenues entrusted to external groups (regional and local finance, social security finance, public health finance), the audit office proposes the need to seek parameters of governability and control of the budget in full respect for the constitutional construction of the "State of autonomies" and of the protection of citizens' social rights. It points to the approach, also dealt with in Art 119 of the Constitution, of increasing the efficiency and the binding character of the budget framework, and of the public sector established--in connection with the national budget according to Law No 468--by Parliament. The "ceilings" set by the government on the transfers from the government to public agencies must be strengthened by rigorous regulation.

#### Decision-making Decentralization.

The above-mentioned considerations emphasize that the level of decision-making decentralization which characterizes public expenditure is such that not only does it compress, within the national budget, the area of control appropriate to the latter, but also makes the budget and balance sheet of limited significance in terms of prediction and verification since they do not express the size of financial commitments which are the subject of fiscal policy choices.



In the present report the SAO dealt in detail with the factors--not all readily discernible--which contribute to the unsatisfactory representativeness of data and accounts in the budget. This material is, in addition to data supplied on previous occasions as well as in the report (in this fiscal year), on regulations for debit accounting in the 1985 budget. The planning validity of the disbursements approved by Parliament and the significance of corresponding aggregate results negatively affect, as is known, principally the separation between budget operations and Treasury operations. This is a separation that to some extent is linked to the greater expansion, from a subjective point of view, of the administrative area to which the government sector account refers. However, it also derives partially from the shortcomings in operational budget accounting which in a direct way affect the control of government resources (for example, government transfers to INPS [National Social Security Institute] shared by the budget and the Treasury), in other words by the delayed or advanced reporting of other operations by virtue of various accounting mechanisms whose effect in any case is that of diminishing the representativeness of the aggregates, even aside from the theoretical possibility of a correlation of planned appropriations which is ensured only formally by the play of such accounting mechanisms.

It is within this framework that we should assess the emergence during the 1984 fiscal year of budget balances that on one hand were below the estimate limits--thus confirming substantial compliance with planning objectives which is above all verified in regard to general economic trends and the containment of needs in the government sector--but which, on the other hand, signal, mainly in terms of revenues, sharp and real declines compared with 1983 data. However, this confirms the difficulty of public finance reentry tactic in a situation in which revenues are in a phase of stabilization and expenditures which--even in regard to the level of indebtedness reached--threaten to engage mechanisms of self-perpetuation.

Above-mentioned are related problems which in 1985 saw the beginning of initiatives designed to channel the evolution of budget guarantees within the limits of "external" regulations. But in the perspective of actions necessary in this regard, it is not useless to emphasize that in 1984, for the first time, the decrease in disbursements was worsened by a decline of revenues in real terms (from 34.2 percent of the GDP to 33.6 percent in final verification; from 33 percent to 32.8 percent in terms of disbursements). This was all the more significant when extended to the tax sector (from 26.7 percent to 26.4 percent and in terms of revenues, from 25.8 percent to 25.7 percent), a demonstration of the depletion of relative margins of exploitation.

The components of this trend--which rides roughshod over government planning goals designed to freeze the revenues/GDP relationship on the 1983 level --are the stabilization of nontax revenues (with the termination of the break-in phase of the health fund) and a decisive change in the rate of growth of tax revenues, whose 1985 real total is expected to exceed that of 1984, according to that budget estimate, by only 4.7 trillion lire with a hypothetical increase of 2.9 percent.

The situation that seems to emerge is therefore one that was diagnosed in the preceding report: in the absence of contingent legislative factors (fiscal forgiveness, increase in the percentage of payments on account, etc.), the pressure of high taxes, by now stabilized on European levels, leaves no margins for further increases in real revenues. The possibility of recovery in the fight against tax evasion should be urgently exploited not so much and only in order to collect added resources, but, as also suggested by recent events in tax matters, in order to begin a rationalization of the system designed substantially to guarantee its acceptability.

Listed below are factors whose effects have also been exaggerated by debate and conflicts that emerged during discussion of the more recent legislative measures, and they have threatened to give credence to the feeling that there is a total inability to control the tax system. This is a confirmation of how--precisely in reference to the tax problem--there is more awareness about the perception of inefficiency of some services and it is principally on this terrain that there is the beginning of a new discussion about the structure itself of government action in the social sector.

These factors are as follows: the disorderly stratification of regulations, made obsolete by reforms in the 1970's which in fact caused the tax system to develop according to directives that were remotely related to, or even in conflict with those programmed; the consolidation from that point of view of a prevalence of direct over indirect taxation beyond the objectives of reform and despite changes in course experimented legislatively of which only the more recent appear to have had a certain effectiveness; excessive concentration of withholdings within the framework of direct taxation from employee income both because of the possibility of tax evasion permitted by those who receive different incomes as well as because of the distortion effects of inflation on the progressive nature of these shares; certain choices over time made by the financial administration which, to some extent discounting organizational shortcomings, appeared to be paradoxically oriented, as appears from the report of the Central Service of Tax Inspectors, more toward a resigned acceptance of unfairness rather than toward taking energetic corrective steps; the consequential difficulty in extracting from tax regulations--despite even the degree of their illegibility--a clear representation of the (not merely financial) objectives of the tactic; to evaluate the overall degree of the system's progress and the level of reconciling taxation with the ability to pay; to identify, in regard to the services offered by the government, the actual division of costs between the user and the taxpayer.

In regard to outlays on the other hand, considering the massive increase in overall revenues pushed by the new rise in loan repayments, the GDP share of final expenditures increased by only 0.2 percentage point (from 48.3 percent to 48.5 percent) due mainly to a drastic reduction in expenditures from the capital account (from 9.4 percent to 8 percent; in 1982 it was 9.1 percent), since despite the obvious decrease in interest rates, expenditures expanded considerably to the point of representing 40.5 percent of the GDP in terms of commitments (that figure was 38.8 percent in 1983 and 35.2 percent in 1982), with a real growth affected by interest rates to the extent of less than 1 point.

If reduction of investment expenditures must be recognized as a contingent remedy--which, although it concentrates mainly on financial operations does not correspond with government planning objectives--the same may be said concerning other factors which have contributed to containment of final expenditures. First of all, the achievement of considerable economies in regard to overall funds earmarked for measures that will affect the 1985 budget (4.119 trillion lire compared with a worsening of the 1984 picture due to the slippage of the preceding fiscal year, equal to or less than 1.258 trillion lire); the compression of costs for interest partially due to postponement of expenditures (annualization of coupons for the CCT [Treasury Credit Certificate], that is to the nonrepeating recourse to low interest allocations for the Treasury, such as aside from postal savings, the shortage in current accounts in the institution authorized to provide services for the provincial treasury.

Considering that the in-house data do not correct, but worsen, the negative nature of the above-described complex development of the budget's size, it should be further pointed out that the worsening situation reported upon recourse to the market (an expansion of 7.5 percent to 23.3 percent of the GDP in terms of fees and from 17.1 percent to 23.6 percent in terms of revenues) marks a clear reversal compared with the trend that had been established during the 3 previous fiscal years of slow and gradual reduction of disbursements. Aside from effects on the 1984 situation, this indicates how the so-far seesaw progress of the costs of loan repayments--temporarily ensured, in the phase of growth of the capital debt, by the alternating due dates of the latter--is about to come to an end, and how the pressure of indebtedness is by now directed toward stabilization, making evident the effects of self-perpetuation of the deficits which follow the size of the debt.

Compared with the limited increase of the net payments to be financed (from 14 percent to 15 percent of the GDP in terms of charges; from 13.6 percent to 15.3 percent in terms of revenue) and of a more evident deterioration in net indebtedness (from 10.9 percent to 12.5 percent and from 9.9 percent to 12.6 percent) which does not benefit from decreases in expenditures for finance operations, the negative value of public savings shows a percentage increase over 1983 of 71.2 percent in terms of charges and 109.4 percent in terms of revenues. The share of GDP respectively increased from 4.7 percent to 7.0 percent and from 3.9 percent to 7.3 percent. Thus it is not superfluous to emphasize how the progress of disbursements themselves, as they emerge from 1985 estimates, seem destined in that year to mark a new increase close to 100 percent despite the estimate of an expenditure for interest which is moving on the basis of lower rates to the average of current expenditures.

#### Administrative Reform.

In the area of administrative organization, there remains the central problem of structural reform--even though there has been no lack of significant attempts such as, most recently, the establishment of the Department for Public Function and the reform of the government railway company--for which

the outlines of an organized solution are not yet visible. At a time when symptoms of fatigue in the political-cultural debate are seen, even the Parliamentary Committee for Institutional Reform--5 years after the well-known "Report" by the Minister for Public Functions--was obliged to report a lack of "reassuring progress" in this regard.

The problem--as it emerges from the SAO report--in reality is more subtle and more serious. It is not only a matter of a lack of progress in an area in which standing still is regression, but of the case where things fall apart, of friction, sometimes of paralysis, brought about by the disorderly accumulation of sectoral organizational measures on the old body of the system. In this situation--in which administrative organization does not even adequately develop the potential already existing on the level of regulatory functions (plans, priority schedules, delegation of powers, coordination, control, inspection, training of personnel)--the line which leads from regulations to "service" becomes tangled or broken in transit. What might be called the moment of "compression" consisting of the network of increasingly numerous responsibilities which the laws, particularly tax laws, impose on the citizen, is not followed by a corresponding phase of authentic "liberation," consisting of satisfactory delivery of service. Regarding public employment--which the lack of an organizational policy and administrative functions contributes to forming into a "separate body"--it should be noted how the trends that gradually emerged for relative discipline found acceptance in the recent "social accords" as well as in the Personnel Law of 29 March 1983, No 93.

Within this framework, however, there is a variety, of conditioning and contradictions and there is no lack of complex factors even though they are at times explainable by specific needs. The law of 1 July 1980, No 312, which introduced "functional qualifications," not only received an embryonic degree of implementation 5 years after its issuance, but is contradicted by sectoral measures which at times "return to the old ways" in reference to the establishment of qualifications; at times resort to special systems for the development of "professional profiles"; at times proceed to changes in the tables of organization which had been separated from the estimates in Art 6 of Law 312; at times foresee the introduction of a further 9th qualification in an episode form and outside of the general plan. Aside from transitory arrangements, this could indicate a link for a new connection between a management career and an executive post.

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ECONOMIC

NETHERLANDS

SUMMARY OF 1986 BUDGET MEMORANDUM PUBLISHED

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[Text]

A. INTRODUCTION

The recovery continues

The Dutch economy as a whole and government finances in particular have improved considerably in recent years owing to the strenuous efforts of a great many people. The recovery continues and is becoming ever more extensive. More and more businesses are making a profit and many have managed to do so now for a number of years in succession. In keeping with the structure of the Dutch economy, the first sign of recovery was a quickening in the rate of growth of exports. The level of business investment is now rising appreciably, and private consumption is likewise starting to grow. Employment is increasing, and the rise in unemployment has thus been halted despite the large labour supply.

Goal in sight

The public sector is gradually diminishing in size in relative terms. Government and social security expenditure is decreasing in relation to national income. The collective burden of taxes and social security is lessening and the public sector deficit continues to shrink. After a period of dislocation, the public finances are now on the mend, although there is certainly as yet no cause for complacency. The goal of government policy, i.e. a strong and balanced economy and sound government finances, is now in sight, but its attainment is by no means just around the corner. Furthermore, the ground that has been gained with so much trouble and at the cost of so many sacrifices could easily be lost again. The natural gas revenues, for instance, will fall in 1986, and there are still various items of expenditure which are not properly under control.



### Increase in employment

The only way to attain the desired goal is therefore to continue with renewed vigour the present approach of stimulating the private sector, trimming the public sector and reducing the public sector deficit. The economic recovery will then point the way to the creation of more jobs and a reduction in unemployment. Retrenchment and cuts in public spending seem to be concomitants of economic recovery. If economic growth and hence employment are to be promoted successfully, it is essential that the public sector deficit be reduced on a permanent basis.

## B. BUDGETARY POLICY

### Greater control

The upswing in the economy is being accompanied by a rationalisation of the public sector. The size of the public sector is slowly diminishing. The government is gradually obtaining greater control over public sector expenditure, but there is still no sign of a decline in real terms. Although the drastic cuts of the last few years have succeeded in largely preventing any increase in government expenditure in real terms, it still rises in cash terms each year, albeit by a very small amount. The problem is exacerbated by the upward pressure on expenditure in 1985 and 1986 caused by decisions to devote additional funds to existing policies and by overspending in certain fields. Central government expenditure is rising by more than 1 billion guilders a year. This is in fact a relatively small sum, bearing in mind that it has risen by almost 10 billion guilders annually over the last 10 years. The much lower rate of increase in government expenditure is to some extent a reflection of the lower rate of inflation, but is largely attributable to substantial spending cuts, the exercise of extreme caution in approving new expenditure and greater control of existing expenditure. This has enabled the government to avoid overspending, particularly in the case of open-ended arrangements.

### Reducing the growth of expenditure

The aim of the government's budgetary policy is still to reduce both the central government deficit and the growth of public expenditure. The level of expenditure will be pushed up again in 1986 by the increases in interest payments, transfers to the European Community and payments under a number of other schemes.

An extra 2.2 billion guilders will have to be paid in 1986 by way of interest on the national debt, which has increased sharply. The recent fall in interest rates will have only a limited effect upon interest payments in 1986. VAT transfers

to the European Community are still increasing, 2.4 billion guilders being estimated for 1985 and 2.8 billion for 1986. Wage drift has also been responsible for major overspending in the case of public servants and persons whose pay is linked to that of public servants. An unforeseen payment of 500 million guilders will also have to be made under the export credit insurance scheme.

As far as government income is concerned, tax revenues will increase by around 3 billion guilders and non-tax revenues will decrease. The decline in natural gas revenues in 1986 will offset to some extent the earlier receipt of around 1.5 billion guilders which was formerly paid to the government through the intermediary of Dutch State Mines (DSM). However, natural gas revenues will in fact fall in 1986 by no less than 5.8 billion guilders on a transaction basis. This will be reflected in the cash receipts in 1987.

There will be additional expenditure on various items of existing policy, namely a second programme for ploughing back social security benefits into the building industry, extra government investments and an increase in the volume of development aid. The new system of student grants as from 1 October 1986 will also entail increased expenditure. This will be offset, however, by an equivalent reduction in benefits and contributions under the General Family Allowances Act (AKW).

Social security contributions are expected to fall by over 2.5 billion guilders in 1986 owing to postponement of the plans to integrate the unemployment insurance (WW) and unemployment benefits (WWV) schemes and to the fact that a number of social security funds possess ample assets. This substantial drop in contributions will principally benefit employees.

As regards fiscal measures, the previously announced reduction in corporation tax from 43% to 42% will be put into effect. A similar measure will be adopted to adjust the income tax relief for self-employed persons. Income tax and wages and salaries tax will be adjusted to take full (i.e. 100%) account of inflation in 1986. This will be of special benefit to families and will accordingly provide a significant boost to domestic consumption (see F).

To ensure that the public sector deficit will nevertheless be reduced in 1986, the government has been obliged to increase spending cuts from 7 to 8.2 billion guilders per year. The extra cuts have been made entirely in the national budget itself (i.e. in the totality of departmental expenditure and budget funds). This has been done in such a way as to avoid the necessity of a general reduction of incomes in the public sector.

### Spending cuts

Spending cuts in 1986 will total 8 billion guilders on a cash basis, of which 3.2 billion guilders will constitute cuts in the national budget itself. The remainder will consist of cuts in public sector conditions of employment (2 billion), social security (1.8 billion) and health care (1.2 billion) (see I.).

The combined effect of these measures is that the public sector deficit will fall slightly by 0.2 of a percentage point to 7.8% and that disposable income will on the whole be higher in 1986. However, this will not apply to those sections of the population who are affected by specific measures such as changes in the social security system (see F). Relief for industry will total on balance 0.4 billion guilders (see G).

#### Total picture

(in billions of guilders)

	Draft Budget 1985	Interim Results 1985	Draft Budget 1986
National Budget:			
- expenditure	164.2	168.0	169.4
- revenue	134.8	141.4	142.9
Central government deficit	- 29.4	- 26.7	- 26.5
<hr/>			
Central government deficit as % of national income	- 8.2	- 7.2	- 7.0
Central government deficit financed direct through the capital market as % of national income (including debudgeted items)	- 0.3	- 0.3	- 0.3
Central government deficit (including debudgeted items)	- 8.5	- 7.5	- 7.3

The objective of the coalition accord, i.e. to reduce the public sector deficit to around 7.5% of national income, will come close to being met in 1986. Contrary to expectations in 1982, there has been a marked decline in the burden of social charges. If this had not occurred, the deficit could have been reduced even further.

#### Key data

(as % of national income)

	Interim Results 1985	Draft Budget 1986
Deficit of lower-tier public authorities	- 0.5	- 0.5

Deficit of public sector as a whole (including debudgeted items)	- 8.0	- 7.8
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Burden of social charges as % of national income		
- taxes	27.6	27.4
- social security	22.8	22.0
- non-tax revenues	2.8	2.4

Total burden as % of national income	53.2	51.8
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Total expenditure as % of national income	67.9	67.2
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### C. ECONOMIC POLICY

#### Marked improvement

The Dutch economy is in a more favourable position than a few years ago. Wage and price inflation have been reduced sharply, and there has been a marked improvement in the profitability and competitiveness of industry. Although the level of unemployment is still high, it has started to fall. The substantial surplus on the current account of the balance of payments indicates that for the time being business investment is lagging behind savings. Fortunately, the figures for the first half of 1985 reveal a more balanced picture. Despite the fall in nominal interest rates, real interest rates (nominal interest less inflation) are still high in comparison with the past.

#### Recovery of the private sector

The economic policy of the government is designed to engineer a recovery of the private sector. This recovery can occur only if flexibility on the various markets, including the labour market, is increased and the direct pressure exerted by the public sector on the private sector is reduced. The private sector must itself be able to take advantage of the changed international conditions. Producers and consumers must therefore be hampered as little as possible by erroneous price signals, government rules and regulations and government subsidies that disrupt the market. The labour market too will benefit from a flexible pay structure and less government control.

Economic policy is now being coordinated more closely at the international level, both in the European Community and the Organisation for Economic Cooperation and Development. Measures adopted in the past to stimulate demand in the short



term have given way to a policy of structural adjustments designed to put the budgetary, financial and monetary relationships on a sound footing and thus to aid the recovery of the private sector. This will in turn help to create new jobs.

Until such time as the danger of renewed high levels of inflation has passed, public sector deficits have shrunk to acceptable proportions and the deficits on the balance of payments have been reduced (all of which factors vary from country to country), there is no scope for restimulating demand internationally.

### Wage increases

The following measures are planned for 1986: a reduction of 1% in working hours, the construction of 101,000 new dwellings (1985: 106,000), an index-linked increase of 2% in rents and a rise of 2% in the price of natural gas for small consumers. If these measures are taken into account, the economy will present the following picture in 1986.

Consumer prices will rise by no more than 1% to 1.5%, since import prices are barely rising at present and are expected to fall by 2.5% in 1986, and labour costs are increasing only marginally. The improvement of the situation on the labour market and the increase in profits could, however, produce a limited acceleration in increases in wage rates. Wage rates in the private sector may therefore rise by 3.5%.

On the basis of this estimate, it is possible that there will be a further fall in the share of employment income in national income to 82%. Owing to a nominal pay freeze, the salaries of public servants and persons whose pay is linked to that of public servants will not keep pace with those of employees in the private sector. However, there will be some increase in the disposable income of the former groups owing to a lightening of the burden of taxation and social charges.

The real disposable income of the majority of public servants and persons whose salaries are linked to those of public servants will increase by around 0.5%, disregarding wage drift. Employees in the private sector who are in receipt of the statutory minimum wage will benefit by anything up to 0.5% and those in receipt of a modal income will benefit by between 1.5% and 2%. As disposable income rises, so the volume of consumption will also increase. The amount of the increase will be 2.5%, partly owing to higher unearned incomes.

A sum will once again be set aside in 1986 to improve the position of households living on one minimum wage or on social security benefits (see F).



### Increase in output

As in previous years, it is difficult to forecast the level of business investment. Real interest rates are still on the high side and there has to date been only a moderate increase in output. Profits have improved, however, and the utilisation rate of industrial plant is moving in the right direction. All in all, an increase in the volume of gross investment of around 6% is projected, although there may be slight differences between the rates for investment in plant and machinery on the one hand and buildings on the other. There will be a further decline of 3% in the volume of investment in housing, as a result of a fall in the level of activity in both construction and renovation. Government investment will pick up slightly owing to the effect of the second programme designed to plough back social security benefits into the building industry.

### Expansion

Exports of goods can be expected to increase by 4% in 1986. If the energy sector is disregarded, the rate of growth may even reach 5.5%. The projected level of expansion will be attributable in roughly equal proportions to sales on the home and foreign markets. An increase of 2% in production would therefore seem feasible. This growth will be spread fairly evenly over a wide area of the economy. As in 1985, the only sector in which production is expected to fall is the construction industry. Industrial output will increase by approximately 4%. The output of the service sectors is also expected to increase by around 3%.

The slight decline in the government deficit has been accompanied by a positive balance on the current account on a transaction basis; this balance will change only marginally, from 19 billion guilders in 1985 to 17.5 billion guilders in 1986. The anticipated savings surpluses will probably result in a substantial outflow of capital. An increase in the liquidity ratio and a further reduction in interest rates would also seem possible.

### Employment

Unemployment is one of the most intractable problems besetting the Dutch economy. Employment in the private sector declined sharply in the sixties and seventies, and from 1981 to 1983 the annual rate of decline was as high as 100,000 man years. This adverse development can largely be attributed to the fact that for many years in succession labour costs outstripped productivity. A change for the better occurred in the first half of the eighties when there was a gradual acceptance of the need for wage restraint. In the period from 1982 to 1985 productivity rose 11% more than labour costs, and in 1984 and 1985 there was even a decline in real wages. This has not failed to have an effect. For the first time in many years the number of jobs will increase by an estimated 30,000 in 1985.

#### D. THE DUTCH ECONOMY

The changes in the Dutch economy since 1973 are shown in the following tables and graphs:

##### Inflation

<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
the Netherlands													
8.0	9.6	10.2	8.8	6.4	4.1	4.2	6.5	6.7	5.9	2.8	3.3	2.3	1.25
OECD													
7.8	13.4	11.3	8.6	8.8	7.9	9.8	12.9	10.5	7.8	5.3	5.3	4.7	4.2

##### Investment

<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
% annual increase													
11.5	0.9	-6.3	-3.4	13.5	5.1	1.2	-4.7	-12.5	-2.3	1.6	4.7	7.0	5.9

##### Burden of social charges

<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Total social charges													
45.9	47.5	49.3	49.1	49.9	50.1	51.7	52.7	52.8	53.7	55.5	54.4	53.2	51.8
of which:													
- taxes													
28.2	28.6	29.0	29.3	29.8	29.8	30.6	30.8	29.7	29.2	28.6	28.3	27.6	27.4
- social security													
17.4	18.5	19.3	18.7	18.7	19.0	19.7	20.2	20.9	22.1	24.6	23.5	22.8	22.0
- non-tax revenues													
0.3	0.4	1.0	1.4	1.4	1.3	1.4	1.7	2.2	2.4	2.3	2.6	2.8	2.4

### Exports

<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Volume of goods and services (% annual increase)													
12.1	+2.6	-3.1	+9.9	-1.8	+3.4	+7.4	+1.5	1.5	0.0	+3.6	+7.0	+4.2	+3.8

### Public expenditure

<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Incl. debudgeted items													
50.0	52.2	57.8	57.7	57.8	59.4	61.5	64.8	68.3	70.1	71.4	69.5	67.9	67.2
Excl. debudgeted items													
50.0	52.1	57.7	57.6	57.6	59.0	61.2	64.2	67.3	69.3	70.2	69.0	67.6	66.9

### Economic growth

<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Economic growth													
5.0	4.0	-1.0	5.4	2.3	2.1	2.5	0.8	-0.7	-1.7	1.3	1.7	2.0	1.9

### Consumption

<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
% annual increase													
4.0	3.7	3.3	5.3	4.6	4.3	3.0	0.0	-2.5	-1.2	0.4	-0.5	1.7	2.4

### Public sector deficit (as % of net national income and including debudgeted items)

<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
1.4	2.8	5.1	4.9	4.0	4.5	5.6	7.7	9.2	10.0	10.7	9.3	8.0	7.8

### Recovery in profitability

#### Share of employment income in net national income

<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
81.1	83.9	90.0	86.7	87.8	87.2	88.6	90.7	91.0	89.9	89.3	86.0	83.5	82.0

### Wage restraint

Unit labour costs  
(1972 manufacturing industry  
index = 100; in guilders)

#### - the Netherlands

<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
107	119	138	136	144	146	149	153	155	160	173	156	153	154

#### - other countries

102	112	131	134	136	141	146	163	188	191	196	202	207	206
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### Employment

<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
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#### - level

(x 1,000 employment years)

4693	4701	4670	4669	4680	4713	4773	4807	4736	4619	4525	4501	4523	4547
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#### - change

(x 1,000 employment years)

+3	+8	-31	-1	+11	+33	+60	+34	-71	-117	-94	-24	+22	+24
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### Unemployment

<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
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#### Unemployment

(x 1,000)

#### - level

(x 1,000 persons)

151	181	260	278	271	273	281	325	480	655	800	820	765	765
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#### - change

(x 1,000 persons)

+6	+30	+79	+18	-7	+2	+8	+44	+155	+175	+145	+20	-55	0
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### Interest

<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------

#### Interest on government loans

7.8	9.7	8.5	8.7	8.0	7.7	8.6	10.2	11.5	9.9	8.3	8.1	7.3
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#### Interest (USA)

7.1	8.1	8.2	7.9	7.7	8.5	9.3	11.4	13.7	12.9	11.3	12.5	10.5
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#### Interest (W. Germany)

9.3	10.4	8.5	7.8	6.2	5.7	7.4	8.5	10.4	9.0	7.9	7.8	7.0
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### Disposable income

<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
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#### Employees on modal wage in industry (excl. wage drift)

0.9	1.4	3.7	-0.5	1.8	1.9	0.7	-1.9	-4.2	-2.2	-3.5	-1.1	1.1	1.7
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### E. BORROWING REQUIREMENT

Repayments of the national debt will be 2.2 billion guilders higher in 1986 than in 1985. This extra sum is in addition to the central government deficit, which will be slightly reduced in nominal terms. As a result of these two developments, there will be a further increase in the borrowing requirement, i.e. from 33.6 billion guilders in 1985 to 36.3 billion guilders in 1986, disregarding any sums paid by way of early redemption.

Interest payments will increase from 19.6 to 21.7 billion guilders and debt repayments from 7.5 to 9.7 billion guilders. It is estimated that interest and debt repayments will total 31.5 billion guilders in 1986. This is 4.3 billion guilders more than will have to be paid in 1985, according to current estimates.

#### Longer maturities

Continued efforts will be made to fund borrowing by means of loans with longer maturities than were possible in the last ten years. This is necessary since the state will be obliged in the next few years to refinance sharply increasing capital repayments. Longer-term loans can help to curb this increase. The average period to maturity of the public-sector loans has increased each year since 1983 (1983: 6.2 years; 1984: 6.7 years; 1985: 8.6 years). 15-year loans were placed in November 1984 and April 1985, with satisfactory results.



### Increase in private issues

The proportion of state public loans subscribed to by private Dutch investors at the time of issue decreased further in the first half of 1985. Over the same period, the share of foreign investors increased and that of institutional investors, commercial banks and savings banks dropped slightly.

	1983	1984	1985-I
Institutional investors and banks	54%	69%	67%
Private investors	25%	16%	13%
Foreign investors .	21%	15%	20%

The volume of loans placed on the private market has risen very sharply. Contracts for loans of 7.5 billion guilders were concluded in this way in the first half of 1985. This is 1 billion more than the total placed in this way over the whole of 1984. The average period to maturity of loans placed on the private market increased further in the first half of 1985 to 11.3 years.

### Interest and repayments

#### National debt: interest and repayments (in billions of guilders)

	Estimate 1985	Interim Results 1985	Estimate 1986
Repayment of funded debt	7.5	7.5	9.7
Interest costs	20.0	19.5	21.7
Total	27.5	27.0	31.4

As in previous years, the government's policy in 1985 is to fund the entire borrowing requirement on the capital market. The funding operation has proceeded smoothly to date.

The following loans have been contracted  
by advance subscription:

For 1985 in its entirety 3.6 billion guilders

Up to and including 10 September:

- on the private market 9.7 billion guilders  
- on the public market 18.9 billion guilders

Total 32.2 billion guilders

## F. PRIVATE INDIVIDUALS

Whereas industry can be singled out for relief, it would be difficult to afford relief to one particular sector of the population. As a rule, therefore, changes in taxes and social security contributions tend to affect all individuals. In addition, the income of specific groups such as public sector employees and people drawing benefits is adversely affected by spending cuts. Disposable income will improve generally in 1986. A special payment will once again be made in 1986 to adults supporting a household on one minimum wage or on social security benefits.

The following table shows the changes in the burden of taxation and social security contributions on individuals in 1986. As regards social security contributions, the burden will be lighter in those cases where the ratio of contribution to gross income diminishes in relation to the previous year.

### Burden of social charges payable by individuals in 1986 (change in relation to 1985 in billions of guilders)

* contributions <sup>1)</sup>	-3.1
* taxes	-0.75

On the basis of the current social security contributions, the disposable income of various categories of the Dutch population in 1986 will be as follows:

### Disposable income in 1986 (percentage change in relation to 1985)

- modal employees in private sector <sup>1)</sup>	+1.5 to 2
- lowest income categories <sup>2)</sup>	+0.5
- modal public servants <sup>1)</sup>	+0.5

1) Excluding wage drift

2) Excluding disposable income supplement for the lowest income categories.

The volume of private consumption is expected to increase by around 2.5% in 1986, compared with a probable good 1.5% in 1985.

The table below shows the changes in the disposable income of a modal employee in the private sector. An increase in real disposable income of 2% (including wage drift) would seem feasible in 1986, largely because of the reduction in social security contributions. This would therefore be slightly higher than the increase in 1985. The total effect of the fiscal changes is negative. Although the full adjustment for inflation in 1986 will serve to increase disposable income, this will be more than offset by the adverse effect of the progressive rates of income tax and wages and salaries tax on the rise in gross wages.

Statutory minimum wages will continue to be frozen in nominal terms in 1986. Nevertheless, the reduction in social security contributions will result in a slight increase (of up to 0.5%) in disposable income. Salaries in the public sector will remain at their 1985 level. However, the disposable income (excluding wage drift) of the great majority of public servants is expected to increase in 1986 as a result of the reduction in social security contributions (deduction at source) and the lower rate of inflation.

The table below shows the real disposable income of modal employees in the private sector in 1986 (gross wage in 1985: 40,000 guilders) and of various other categories of employee.

	<u>Percentage changes</u> <u>in relation to 1985</u>
<u>Modal employees</u>	
gross wage incl. wage drift	3
family allowance	-0.4
social security and pension contributions	1.5
income tax and wages and salaries tax	-0.7
nominal disposable income	3 to 3.5
indexation <sup>1)</sup>	1
real disposable income	2 to 2.5
<u>Real disposable income excl. wage drift for various categories of employee</u>	
- Modal wage in private sector	1.5 to 2
- Minimum wage <sup>2)</sup>	0 to 0.5
- Public servants with disposable income equal to that of modal employees in private sector	0.5

1) Excluding medical care

2) Excluding disposable income supplement for lowest income categories.

#### G. INDUSTRY

As announced in the last budget memorandum, the Government proposes to reduce the rate of corporation tax from 43% to 42%. As was the case when the rate was reduced from 48% to 43%, this new reduction will be accompanied by a measure to provide income tax relief for businesses which are not registered as limited companies and are therefore not subject to corporation tax. This will be achieved by increasing the allowance for self-employed persons. These tax reductions will provide relief of 165 million guilders on a cash basis in 1986.

The relief for industry provided by reductions in social security contributions and the reductions in tax of 165

million guilders as referred to above will total 0.4 billion guilders.

Partly with a view to the budgetary problems expected to result from the substantial drop in natural gas revenues forecast for 1987, the government also proposes to abolish "negative" assessments under the Investment Account Act (WIR) on 1 January 1986. As there has been an overall improvement in the financial position of industry, the Government no longer considers it necessary to allow businesses which have suffered a loss for a number of years in succession to claim a negative WIR assessment and thereby to receive a larger sum in WIR subsidies than that which they pay as income tax or corporation tax. Businesses which suffer no more than a temporary tax loss or which make insufficient tax profit to enable them to deduct the WIR subsidies in their entirety from the tax payable in the year of investment will be allowed to deduct the subsidy from the tax owed in the three years preceding and the eight years following the year of investment. This corresponds to the periods for offsetting tax losses and for disinvestment payments.

Industry: burden of social charges in 1986  
(on a cash basis and in millions of guilders)

Reduction in burden:

- reduction of corporation tax and corresponding income tax measure:	165 million guilders
- employers' social security contributions:	<u>275 million guilders</u>
- Less:	
abolition of negative WIR assessment:	<u>50 million guilders</u>
Total reduction:	390 million guilders

H. BURDEN OF SOCIAL CHARGES

The present burden of tax and social security contributions is attributable to the substantial size of the public sector in the Netherlands and is not without its adverse economic consequences. High labour costs, for example, are likely to promote investment in labour-saving technology, thereby prejudicing employment. The high level of deductions from pay also affects the position on the labour market of the lowest paid groups in particular, and means that the ratio of net to gross wages is more unfavourable in the Netherlands than in many other countries.

The differences between gross wages in the various income categories have remained virtually unchanged in recent years, but the differences between their net wages have diminished.

The burden on the middle-income categories in particular has risen substantially since 1973 as a consequence of the sharp rise in social security expenditure. The considerable increase in government activity in the sixties and seventies has thus been translated into upward pressure on gross wages and downward pressure on net earnings.

#### Marginal burden

A taxpayer who receives an increase in income pays a large proportion of the extra sum to the government in the form of tax and social security contributions. The net effect of the increase is small. This is termed the marginal burden. In the case of an increase in gross income from Dfl. 25,640 (minimum wage) to Dfl. 40,000 (modal wage), an employee who is a sole breadwinner pays an additional 7,860 guilders in tax and contributions. This is 55% of the gross increase in income. The marginal burden (expressed as a percentage of the gross wage) in the case of various income categories is as follows:

Minimum wage	50%
Modal wage	61%
1.5 x modal	55%
2 x modal	53%
3 x modal	63%
4 x modal	72%

Although the marginal burden resulting from progressive rates of tax and the level of social security contributions is already heavy in itself, it increases still more if the taxpayer is eligible for means-related grants or payments. In such cases between 70% and 100% of the increase in income is lost. If a taxpayer benefits from more than one means-related scheme etc., a situation may well arise in which an increase in his gross income will lead to a reduction in his net disposable income. A modal employee who receives an individual rent subsidy, for instance, may find that he faces a marginal burden of over 80%. If he also receives a student grant for a member of his family, the marginal burden will in some cases exceed 100%. Clearly, this is hardly an incentive to work hard. Furthermore, it disrupts the operation of the labour market. The same is true of the small differentials between income from employment and income from social benefits.



## I. PUBLIC SECTOR

### Spending cuts

One of the main objectives of the 1986 budget, like the 1984 and 1985 budgets, is to scale down the public sector. More spending cuts proved necessary in 1984 and 1985 than were specified in the coalition accord. In 1986 too the Government proposes to make cuts totalling more than the 7 billion guilders agreed in the accord. The measures to be taken in 1986 total 8.2 billion guilders on a transaction basis. Since the revised social security system will now come into force on 1 May 1986 instead of the date originally planned, the cash yield from the 1986 cuts will be 8 billion guilders. The cuts will be distributed among the four heads of expenditure as follows:

#### Spending cuts in 1986 (cash basis) (in billions of guilders)

National budget (departmental expenditure and budget funds)	3.2
Public sector conditions of employment	2.0
Social security	1.8
Health care	1.0
Total	8.0

#### National budget (departmental expenditure and budget funds)

Two billion guilders of the spending cuts proposed for the national budget in the narrow sense (i.e. departmental expenditure and budget funds) was covered by measures specified in previous budgets. However, the final sum covered by these measures was only 1.9 billion guilders, owing to a non-recurrent reduction in the cut in the general grant to the municipalities (user-pays principle). New cuts of 1.3 billion guilders will therefore have to be made in the expenditure under the various budget headings.

#### Public sector conditions of employment

Consultations on the measures to be taken to achieve the projected cuts in this sector will shortly be held with the federations of public service personnel and the organisations of employers and employees in the subsidised and grant-aided sector. The Government will propose that the salaries of public servants should remain at their 1985 level, and that the salaries of persons whose pay is linked to that of public servants should be frozen.

Savings can possibly be made in the transfer of contributions to the Public Servants Superannuation Fund (ABP) through an alteration to the system of funding the early retirement scheme. The 2% reduction in the size of the central government establishment has also been included in the projected cuts for 1986.

As against these cuts, additional expenditure of 55 million guilders is projected for 1986. The bulk of this sum is intended as extra funds for the youth employment scheme.

The cuts in public sector pay and changes in conditions of employment are shown in the following table:

(in millions of guilders)

1.	Freezing of public sector pay	0.9
2.	Modified method of financing early retirement scheme	0.5
3.	Freezing of pay in the subsidised and grant-aided sector	0.5
4.	2% reduction in public sector establishment	0.15
		<u>2.05</u>
5.	Less: youth employment plan and other specific measures:	0.05
	Total	<u>2.0</u>

### Social Security

The proposed alterations to the social security system will produce a saving rising from 50 million guilders in 1986 to 3.8 billion in the long term. The former sum is the balance of a number of cuts and increases in expenditure, the latter relating to measures which were partially anticipated in 1985, either on an interim basis or otherwise. Examples are the provisions for the equal treatment of men and women under the Unemployment Benefits Act and for the improvement of the position of older persons under the same Act.

This shows how important it is that the changes in the social security system should take effect as planned on 1 May 1986. Any further postponement will delay the start of the measures to cut expenditure, though the measures raising certain items of expenditure have already taken effect. Further delay will also lead to central government expenditure substantially in excess of that projected in the 1986 Budget Memorandum, principally because a smaller proportion of the expenditure under the Unemployment Insurance Act will then be replaced by expenditure chargeable to the General Unemployment Fund.

The greater part of the social security savings in 1986 will be provided by the freeze on benefits and family allowances. The rate of benefit payable under the Sickness Benefits Act is to be reduced from 75% to 70%. The minimum daily wage rate under this Act will be abolished. A series of measures will be taken to combat social security fraud and other abuses.

The following table shows the cuts in social security in 1986:

(in billions of guilders)

1.	No indexation of benefits and family allowances: (i.e. exclusion of adjustment for inflation on 1-1-1986 and 1-7-1986):		1.0
2.	Sickness Benefits Act:		
	. rate reduced to 70%	0.3	
	. abolition of minimum daily wage rate:	<u>0.3</u>	0.6
3.	Alterations to system on 1-5-1986:		0.05
4.	Measures to combat fraud:		<u>0.1</u>
	Total		<u>1.8</u>

#### Health care

The projected spending cuts in the health care sector were in fact itemised in 1985. In addition, there will be a cut of 146 million guilders in the home-help services, although this will not affect the level of services. From 1987 onwards the budgets of in-patient institutions will be reduced by approximately 1%. To achieve the target for central government expenditure, the contribution to the General Fund for Special Medical Expenses will be reduced from 1986 onwards.

The Government has assumed that the alterations to the system of medical expenses insurance will be introduced no later than 1 January 1986. This will result in a transfer of expenditure from the public to the private sector of about 1 billion guilders.

CSO: 3600/2

ECONOMIC

NORWAY

NORWEGIAN INDUSTRY FEDERATION SPOKESMAN BACKS SDI

Oslo AFTENPOSTEN in Norwegian 27 Oct 85 p 42

[Text] Norwegian industry is very interested in Reagan's invitation for research cooperation in the American space weapons program SDI-Strategic Defense Initiative. It will be essential for Norway to participate--and possibly lead--in certain areas of the technological development in the future.

Department director Helge Fredriksen of the Norwegian Industry Federation tells NTB [Norwegian Wire Service] that this became quite clear in the large meeting which the industry association arranged concerning the French research project Eureka before the weekend. Thirty to thirty-five firms and representatives of Norwegian research institutes participated in the meeting which was attended by well over 70 people.

"Norwegian industry is interested in the research part of SDI--here at home called the United States' strategic defense initiative.

It will certainly influence and develop technology which in civilian industrial application can have vital importance for the future competitive situation," says director Fredriksen. (NTB)

12381

CSO: 3639/166

ECONOMIC

PORTUGAL

## POLL RESULTS ON PUBLIC ATTITUDES TOWARD WORK, EMPLOYMENT

### Self-Employment Preferred

Lisbon SEMANARIO in Portuguese 17 Aug 85 pp 12-13

[Article by Jose Pedro Barreto]

[Excerpt] Work and employment in Portugal were the subject matter for a NORMA poll investigating Portuguese attitudes toward that duality. How long would you like to work every day? Where would you like to do it? What kind of work do you prefer? Those are the essential questions flowing from the first and basic question: if you could or had the choice, would you choose to work or not?

### Work, and not Just a Little

And here is where the sampling has caught you in its net, dear reader: you go around bad-mouthing life, but you would not know what to do with your hypothetical freedom not to work at all: 85.8 percent of those polled in six Portuguese cities would prefer to work. And not just a little: given a choice as to the number of working hours per day, the majority (67.3 percent) chose 5 to 8 hours per day (only 1 percent chose "none"). Don't tell me you agree with those who say that the only people who work are those who don't know how to do anything else. One thing is certain: you flatly reject the exotic idea that work is anything we don't like to do. You like work.

The problem is that you are employed in the wrong spot. The fact is that the majority (60.6 percent) would prefer to be self-employed. It should be added that the preference for working for someone else (19.1 percent) is stronger than the longing for a cooperative system. You are among those for whom it is all or nothing. Unfortunately, most people (35.1 percent) work for someone else--and pensioners make up the second-largest group (23.7 percent). Only 10.7 percent work for themselves. Does this mean that about 50 percent of you are frustrated? Don't be discouraged. Just look at your cup as being half full instead of half empty.

All in all, you are a person who appreciates thought and reflection, because if you could, and if you could earn the same amount of money, you would choose



intellectual work, although only by a small margin (49.4 percent compared to 42 percent preferring manual labor). That is why you consider it ideal to work in an office (47.7 percent) rather than on a farm (16.9 percent) or in a factory (13.8 percent) and, above all, never at home (0.8 percent). You already spend enough time at home. But that is a subject for another poll.

Now something else: while the burden of breadwinning falls on the man (because the burden of working in general is also another subject), he is the one least likely to choose it if given the choice: 86.2 percent of the women would choose to work, compared to 85.4 percent of the men--those lazy bums. By age group, those between the ages of 18 and 44 are the ones most eager for the idle life (84.6 percent would like to work, whereas the figure rises to 87 percent among those over 45 years of age). And be it known to you, middle-class reader, that you are the one least interested in working (85 percent). In the upper classes, the figure rises to 86.7 percent, while in the lower classes it reaches 91.3 percent.

#### Male Intellectual

The typical citizen choosing to work from 5 to 8 hours per day is a woman over 45 years of age and belonging, in this instance, to the middle class. But it is men who prefer self-employment involving intellectual work in an office. A larger percentage of women prefer manual labor in a factory--and therefore, logically, they prefer to work for someone else.

To conclude, where do you think you would find the most people choosing to work rather than remain idle? The answer is Evora (93 percent). You weren't expecting that. It is also in that city in Alentejo that most people would choose to work from 5 to 8 hours per day. On the other hand, Vila Real is the city where most people long to work for themselves and in an office. When it comes to the place where intellectual work is preferred, you are correct, dear reader: Coimbra sets the example.

But don't draw any hasty conclusions from all this. Take the trouble--work again--to read the tables published below and see whether you recognize yourself there. Forgive us for discussing this laborious subject while you are part of another majority: the one on vacation. But take careful note: it is set down here in writing that you prefer work to doing nothing. Be calm: it will soon be time for you to come back to work. Until then, be careful not to get worked up. Be self-relaxed instead of self-employed. Do as little as possible--and then rest a bit.

#### Technical Data

Universe: Portuguese population over 18 years of age and residing in the cities of Coimbra, Evora, Lisbon, Porto, Vila Real, and Viseu. Sample: 609 individuals. Sampling: random, stratified by city with nonproportional imputation. Selection: homes selected by the random route method, with the individual within each home being selected by the Kish method. Technique: Direct personal interviews using a

structured questionnaire at the interviewee's residence. Sampling points: six cities within which starting points were selected. Fieldwork: Interviews conducted during the period between 18 and 26 July 1985. Margin of error: in total,  $\pm 4$  percent with a confidence interval of 95 percent. For P = 50 percent. Polling institute: the poll was conducted by NORMA, Inc., the Portuguese member of Gallup International.

Poll results	Cities						
	Total	Coimbra	Evora	Lisbon	Porto	Vila Real	Viseu
	10,356	598	317	6,625	2,571	94	152
Evora: Greatest Desire To Work							
If I could or were free, I would choose to:							
Work	85.8	92.2	93.0	86.7	81.0	89.5	87.4
Not work	13.3	7.0	6.0	13.3	16.1	8.9	10.9
Don't know	0.6	0.8	-	-	2.3	1.5	0.9
No answer	0.2	-	1.0	-	0.6	-	0.8
Lisbon: Many Prefer Part-Time Work							
I would like to work this many hours per day:							
1-2 hours	2.2	4.9	1.0	1.7	2.5	15.1	5.9
3-4 hours	20.7	15.0	9.0	22.3	19.9	20.8	9.2
5-8 hours	67.3	74.0	85.4	69.5	57.8	64.0	73.7
9-12 hours	1.3	2.1	1.4	1.2	1.2	-	5.1
All	0.4	-	-	0.6	-	-	-
None	1.0	0.8	-	1.2	1.0	-	-
No answer	7.1	3.3	3.3	3.6	17.6	-	6.0
Vila Real: Not Interested in Working for Others							
I think the ideal thing would be to work:							
For myself	60.6	73.8	46.9	57.3	66.5	80.2	70.5
For someone else	19.1	13.4	28.5	17.6	23.5	6.4	20.6
Cooperative system	12.6	8.1	18.5	16.3	4.2	6.2	3.3
No answer	7.7	4.7	6.1	8.8	5.8	7.2	5.5
Porto and Coimbra: No one Wants To Stay Home							
If I could, I would prefer to work:							
On a farm	16.9	20.3	14.8	19.0	10.0	11.7	21.1
In a factory	13.8	10.5	24.1	10.7	20.8	15.0	22.0
In an office	47.7	60.0	35.8	46.5	49.4	66.4	39.1
At home	0.8	-	-	1.2	-	-	2.7
At a school/teaching	0.5	-	2.8	0.6	-	-	-
No preference	12.9	5.6	5.4	16.1	7.6	4.4	11.6
No answer	7.4	3.6	17.1	5.9	11.4	2.3	3.5

Total	Sex		Age		Socioeconomic class		
	M	F	18-44	45+	A-B Upper	C Middle	D Lower
10,356	4,920	5,437	4,960	5,397	3,351	6,539	467

#### Let the Young People Work!

If I could or were free, I would choose to:

Work	85.8	85.4	86.2	84.6	87.0	86.7	85.0	91.3
Not work	13.3	13.4	13.3	15.3	11.6	13.3	13.7	8.7
Don't know	0.6	1.2	0.1	-	1.2	-	1.0	-
No answer	0.2	-	0.3	-	0.3	-	0.3	-

#### Older People Set the Example

I would like to work this many hours per day:

1-2 hours	2.2	2.2	2.2	2.8	1.7	1.9	2.3	3.5
3-4 hours	20.7	19.5	21.7	27.0	14.8	26.9	16.0	41.8
5-8 hours	67.3	66.6	68.0	63.5	70.8	66.5	68.6	54.8
9-12 hours	1.3	2.7	-	-	2.5	1.0	1.6	-
All	0.4	-	0.7	-	0.7	-	0.6	-
None	1.0	-	2.0	2.1	-	2.4	0.4	-
No answer	7.1	8.9	5.4	4.4	9.5	1.3	10.5	-

#### Middle Class: Down With Bosses!

I think the ideal thing would be to work:

For myself	60.6	62.9	58.5	67.5	54.3	67.6	57.2	58.8
For someone else	19.1	15.0	22.8	16.0	21.9	12.6	22.1	24.0
Cooperative system	12.6	16.1	9.5	10.1	15.0	13.3	13.2	-
No answer	7.7	6.0	9.1	6.4	8.8	6.6	7.5	17.2

#### The Poor Ready for any Job

If I could, I would prefer to work:

On a farm	16.9	23.6	10.8	15.2	18.5	25.8	12.8	10.9
In a factory	13.8	12.9	14.5	9.3	17.9	8.5	16.8	9.2
In an office	47.7	47.6	47.9	54.7	41.3	50.7	49.0	9.0
At home	0.8	-	1.5	-	1.5	-	0.7	8.5
In school/teaching	0.5	-	0.8	0.1	0.8	-	0.7	-
No preference	12.9	9.4	16.1	13.4	12.5	7.8	13.2	45.3
No answer	7.4	6.3	8.4	7.3	7.5	7.1	6.9	17.3

	Total	Coimbra	Evora	Lisbon	Porto	Vila Real	Viseu
Unemployment Highest in Porto							
Occupation							
Self-employed	10.3	23.3	14.3	9.3	9.5	11.7	7.9
Work for employer	35.1	34.7	42.3	40.8	19.8	35.1	34.9
Student	7.7	13.9	4.6	6.8	8.8	12.5	11.0
Unemployed	7.6	0.8	5.2	3.5	20.4	2.0	4.9
Retired	23.7	11.7	24.7	25.4	21.8	28.0	28.5
No answer	15.6	17.7	9.0	14.2	19.7	10.7	12.7

Intellectuals Are in Coimbra							
If I could and would earn the same, I would prefer:							
Intellectual work	49.4	65.2	35.7	53.9	36.7	53.5	27.0
Manual work	42.0	24.4	62.2	38.5	51.5	39.7	60.3
Don't know	3.4	6.3	1.0	4.0	1.1	0.7	7.3
No answer	5.3	4.1	1.0	3.6	10.7	6.1	5.4
Total polled	609	100	101	110	98	100	100

						Socioeconomic class		
						A-B	C	D
						Upper	Middle	Lower
						Women Work Only for Others		
Occupation	Total	Sex M	F	Age 18-44	45+			
Self-employed	10.3	14.3	6.8	9.4	11.1	14.6	8.4	6.4
Work for employer	35.1	35.8	34.6	53.1	18.7	42.9	32.0	23.6
Student	7.7	7.5	8.0	16.2	-	11.9	6.2	-
Unemployed	7.6	11.6	4.0	11.5	4.0	0.9	10.4	16.2
Retired	23.7	29.6	18.4	0.1	45.4	20.1	24.5	38.9
No answer	15.6	1.6	28.3	9.7	21.0	9.9	18.5	14.9

The Rich Pull for Intelligence								
If I could and would earn the same, I would prefer:								
Intellectual work	45.4	60.8	39.0	55.3	43.9	74.7	39.8	2.0
Manual work	42.0	32.9	50.1	35.7	47.7	20.7	50.8	69.9
Don't know	3.4	2.1	4.5	3.3	3.4	1.3	4.2	5.9
No answer	5.3	4.2	6.3	5.7	5.0	3.2	5.2	22.2
Total polled	609	241	368	314	295	156	419	34

#### Choices in Employment

Lisbon SEMANARIO in Portuguese 24 Aug 85 pp 10-11

[Text] Feeling comfortable is something everyone longs for. And contributing greatly to such a feeling is one's choice of the activity that fills at least one-third of our lives: our occupational activity. Do most Portuguese feel comfortable? As far as occupations go, the picture is not great. While most of them had the privilege of freely

choosing it, the fact is that while their choice was not unfortunate, neither was it permanent. In general, they would like to make a change and open up new horizons. Whether from dissatisfaction, a desire to escape monotony, a lack of self-realization, or simply restiveness, a good number of us--especially the women--would like to pack our briefcases some fine morning and try something else.

But what? In Portugal, there is still a great fascination with the "sheepskin"--for the title of doctor, engineer, and so on. Only the oldest--those over 45 years of age--seem to have realized that between a sheepskin and the opportunities open to a skilled worker, the latter are the best. And as for being an employer or businessman, few people in Portugal aspire to that, although it is one of the ideals of the middle class. For those who were unable to choose the occupation they currently have--and they total about 30 percent, mostly in the lowest class--material difficulties were the chief obstacle. And those difficulties affect primarily women and young people.

#### Material Difficulties Prevent Choice

Freedom to choose one's occupation is curtailed considerably as one descends further on the socioeconomic ladder. Upper-class men over 45 years of age are the most successful in this respect, and Coimbra is the city where most of them are to be found. The most constraint in choosing an occupation is felt by women and young people.

Material difficulties are by far the main factor preventing such a choice, and those difficulties affect primarily women and--again--the city of Coimbra. Family pressure, on the other hand, which is cited as the second reason, is exerted on the male population in the lowest classes and the oldest age group.

That pressure is felt most strongly in Evora. It should also be noted that a significant number (27.4 percent) did not answer this question.

#### Did you freely choose your current occupation?

Answer	Total	Sex		Age		Socioeconomic class		
		M	F	18-44	45+	A-B Upper	C Middle	D Lower
Yes	72.1	75.9	67.9	67.5	81.0	86.6	62.6	52.2
No	27.8	23.9	32.1	32.4	18.9	13.3	37.3	47.8
No answer		0.2					0.1	
Number not choosing their occupation	1,307	585	722	1,004	302	255	985	67
The reason was:								
Material difficulties	58.8	47.1	68.3	60.6	53.1	64.7	58.0	48.5
Family pressure	7.3	14.0	1.8	1.9	25.1	2.4	6.0	44.5
Other	6.5	1.5	10.6	7.6	3.2	3.8	7.2	7.0
No answer	27.4	37.4	19.2	30.0	18.6	29.1	28.8	



Did you freely choose your current occupation?

Answer	City						
	Total	Coimbra	Evora	Lisbon	Porto	Vila Real	Viseu
Yes	72.1	75.2	68.2	73.2	68.6	69.2	53.8
No	27.8	24.8	30.1	26.8	31.4	27.5	46.2
No answer			1.7			3.3	
Number not choosing their occupation	1,307	83	54	891	327	12	30
The reason was:							
Material difficulties	58.8	71.2	31.9	62.9	47.5	26.4	55.3
Family pressure	7.3	8.8	30.3		25.1	29.9	27.1
Other	6.5	20.0	23.3		21.2	17.2	13.2
No answer	27.4		14.5	37.1	6.1	26.4	4.5

Being a Doctor the Dream

Being a doctor, engineer, or lawyer--that is the dream filling the heads of most Portuguese when they think of their occupation. But with one important exception: those over 45 years of age feel that in Portugal, it is better to be a skilled worker--perhaps because the idea of having a sheepskin loses its mystique as one matures. The desire to be a businessman, which is especially noticeable in the middle class, is only in third place. The lower class does not want to hear about being a businessmen. As far as it is concerned, there is nothing like being a doctor or an engineer, and this is especially true in Viseu. On the other hand, few people yearn to be a middle-level executive. Who says the Portuguese are wishy-washy?

Do you feel that in Portugal, it is best to be a ...?

Answer	Total	Sex		Age		Socioeconomic class		
		M	F	18-44	45+	A-B	C	D
				Upper	Middle	Lower		
Doctor, engineer, lawyer	31.5	34.6	28.2	30.3	33.9	37.0	25.3	73.6
Skilled worker	28.8	33.1	24.1	23.1	40.0	31.5	27.2	21.3
Businessman, employer	21.3	23.7	18.7	24.1	16.1	16.2	26.2	0.9
Middle-level executive	3.4	1.5	5.4	3.2	3.7	6.6	1.0	3.3
No opinion	9.7	4.1	15.8	11.9	5.5	0.7	16.8	0.9
No answer	5.2	3.0	7.6	7.4	0.9	8.0	3.5	

Answer	Total	City					
		Coimbra	Evora	Lisbon	Porto	Vila Real	Viseu
Doctor, engineer, lawyer	31.5	34.8	28.8	33.0	23.2	24.3	48.6
Skilled worker	28.8	34.2	36.0	24.2	46.8	11.5	18.1
Businessman, employer	21.3	22.4	13.4	22.2	17.0	47.1	25.2
Middle-level executive	3.4	2.5	5.3	2.3	7.8	5.0	3.9
No opinion	9.7	4.7	16.5	11.4	3.3	10.5	4.3
No answer	5.2	1.4		6.8	1.9	1.7	

## Women Want Change

Viseu is the city where the most people are dissatisfied with their present occupation. A longing for change characterizes a little over half (52.5 percent) of those polled, and it is particularly noticeable among young people in the middle class. And among women. But there are many who have adjusted to their job and their situation. The tendency to want to change reverses itself after the age of 45, especially among the lower classes (73 percent). The majority of the rich are also content.

Would you change your occupation if you could?

Answer	Total	Sex		Age		Socioeconomic class		
		M	F	18-44	45+	A-B Upper	C Middle	D Lower
Yes	52.5	52.1	53.0	59.7	38.6	41.5	61.9	26.5
No	47.4	47.7	47.0	40.2	61.2	58.5	37.9	73.5
No answer	0.1	0.2			0.2		0.2	

Answer	Total	City					
		Coimbra	Evora	Lisbon	Porto	Vila Real	Viseu
Yes	52.5	49.9	45.2	55.3	42.3	56.2	61.9
No	47.4	50.1	53.1	44.7	57.7	40.5	35.9
No answer	0.1		1.7			3.3	2.2

## Learning New Things

Since the lower class is the group most content with its current activity, that is where the desire for specialization predominates, and this is true especially of the men. But while older people are the ones with the least desire to change (see the table above), it is the young people who are most interested in improving their skills in their current occupation, whether they like that occupation or not. And it is the middle class, especially in Lisbon, that shows the greatest desire to open up new horizons by learning something new.

If you had the opportunity, would you like to...?

Answer	Total	Sex		Age		Socioeconomic class		
		M	F	18-44	45+	A-B Upper	C Middle	D Lower
Specialize more	35.1	39.3	30.6	37.6	30.3	39.9	29.6	73.5
Learn new things	59.0	52.6	65.9	58.6	59.7	50.0	67.2	25.5
No answer	5.9	8.1	3.6	3.8	10.0	10.1	3.2	1.0

Answer	Total	City					
		Coimbra	Evora	Lisbon	Porto	Vila Real	Viseu
Specialize more	35.1	52.3	41.1	31.4	40.2	40.5	56.9
Learn new things	59.0	41.6	55.5	62.8	52.5	51.3	41.0
No answer	5.9	6.0	3.4	5.8	7.3	8.2	2.2

Retirement? No, Thanks!

At what age would you like to retire? Never--that was the overwhelming response from those polled by NORMA. Portuguese like to work, and they want to work right up until the end. Unless, of course, their attitude reflects a distrust of pensions and familiarity with how meager those pensions are. Of those stating a preferred age for retirement, the following characteristics can be noted: young men in the middle class prefer the earliest age stated in the question: between 40 and 45. And it is women over 45 who prefer to retire at the latest age: between 65 and 70. The traditional age of 60 to 65 is preferred by older men at the lowest socioeconomic level.

At what age would you like to retire?

Answer	Total	Sex		Age		Socioeconomic class		
		M	F	18-44	45+	A-B	C	D
				Upper	Middle	Lower		
40-45	11.4	14.9	8.2	22.1	1.6	7.1	14.4	0.6
45-50	20.1	21.1	19.2	33.3	8.0	24.6	18.9	4.5
50-55	30.9	29.9	31.7	38.3	24.0	32.5	31.1	16.1
55-60	36.3	34.0	38.5	25.4	46.4	34.5	35.1	66.0
60-65	37.1	38.3	35.9	25.5	47.7	37.4	35.3	58.9
65-70	16.5	22.4	11.1	12.9	19.7	20.8	13.9	20.5
No answer	13.6	7.2	19.5	7.8	19.0	16.3	13.2	0.3
Never	85.8	92.8	79.5	91.9	80.3	83.7	86.0	99.7

	Total	City					
		Coimbra	Evora	Lisbon	Porto	Vila Real	Viseu
40-45	11.4	5.5	8.6	7.8	22.5	8.3	11.5
45-50	20.1	21.5	18.4	19.6	20.8	19.5	26.7
50-55	30.9	37.3	26.9	31.5	27.2	36.2	43.7
55-60	36.3	43.0	44.6	40.6	21.5	53.0	45.8
60-65	37.1	32.7	56.3	42.5	21.7	38.7	37.0
65-70	16.5	11.8	17.3	16.0	19.1	5.9	16.2
No answer	13.6	17.7	1.0	13.6	15.3	4.1	1.6
Never	85.8	80.0	99.0	85.8	84.7	95.9	98.4

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CSO: 3542/247

ENERGY

FINLAND

## LARGE INCREASES IN INDUSTRIAL CONSUMPTION OF ELECTRICITY

Helsinki HUFVUDSTADSBLADET in Swedish 20 Aug 85 p 1

[Text] Industry's consumption of electricity during the first half of this year continued to rise rapidly--that is, by almost 4 percent in comparison with the same period last year. The 12-month increase totaled 5 percent.

The forest industry increased its electricity consumption by nearly 8 percent in 1 year, and the increases for the chemical and metal industries were just over 4 percent and 6 percent respectively, while consumption by the rest of industry declined by 7 percent. Total consumption this year is expected to rise to almost 27 terawatt-hours.

The forest industry, whose economic cycle peaked at the start of this year, increased its electricity consumption by 5 percent during the first 6 months of this year, while the metal industry increased its consumption during the same period by a full 9 percent.

Over the long term--that is, during the period from 1985 to 1995--industrial electricity consumption is expected to rise by 2.2 percent annually.

Industry is now worried because electricity is having to be produced by increasingly expensive methods. Base capacity--hydroelectric and nuclear power--is currently being used to the maximum, and the only unused electricity is part of that produced at an intermediate cost and peak power, which is expensive.

Among other things, the use of coal energy more than doubled during the first half of this year. As a result, it is expected that the price industry pays for electricity will rise by 1 penni per kilowatt-hour by 1990.

Industry's total consumption of fuel rose by 9 percent during the first half of this year and by 5 percent for the 12-month period to approximately 7.7 million tons of oil equivalent per year.

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ENERGY

NORWAY

# MINISTER WARNS OVER LOWER OIL PROFITS BEGINNING IN 1986

Oslo AFTENPOSTEN in Norwegian 30 Aug 85 p 3

[Article by Morton Malmo: "Presthus on Prospects for 1986 - and Excessive Offer: Oil Revenues Greatly Reduced?"]

[Text] Government revenue from oil activities could decline dramatically next year. The government's net oil revenues in 1986 could perhaps be 15 billion kroner lower than this year, preliminary estimates show. This information was provided by Minister of Finance Rolf Presthus in a speech in Verdal in North Trondelag last night. Against this background he warned all parties against coming forward with expensive and binding reform promises.

The Minister of Finance pointed out that an estimated two-thirds of this amount is due to lower tax revenues and that the fall in oil revenues will make it very difficult to avoid a deficit in the national budget. Presthus also added the following: "The shortage in tax revenues is due not to circumstances over which the government has control but is a consequence of international oil markets and the foreign currency situation.

Presthus emphasized that even if the government succeeds in managing a positive increase in the country's economy, the considerable weakness in oil revenues will make it still more irresponsible to make large promises for government spending increases in the future.

"If one guarantees--as does the Labor Party--one's increase proposals it stands to reason that the tax and fee burden will have to increase as early as 1986 if the guarantees are to be met and paid," he said.

## Labor Party Guarantee

"Therefore the Labor Party must not wait any longer with telling to what extent the voter guarantees shall continue to apply and to what extent one can rely on what the party's chief spokesman on financial policy Gunnar Berge said in the parliamentary debate on the government's long-term program," Presthus continued and reminded of Berge's words: "We may have to adjust the course



midway. But what is firm are the main objectives. The means may have to be adjusted to the extent that the conditions we used as a basis change."

"There is actually no reason for not relying on what Gunnar Berge said here. The main objectives, guaranteed promises, will certainly be the last thing the Labor Party will risk running away from when conditions change. But the party can change the means such as the tax burden. The Labor Party has not said anything about how strongly the party will turn the tax screw," Rolf Presthus pointed out.

The Minister of Finance emphasized further that Norway's present dependence on oil revenues and the uncertainty which characterizes price expectations on the oil and gas market should induce all parties to be cautious now with making costly and binding reform promises.

"It is particularly serious that in an economically uncertain time the country's largest party, the Labor Party, has even given the voters a guarantee that their huge promises will be honored. In reality it is the same as if the Labor Party guarantees that the governing party will conduct an irresponsible economic policy with a large increase in taxes and fees and with price increases as a consequence.

It takes a strong stomach to risk presenting such an idea, but it also takes a good stomach to risk swallowing such election bait," said Minister of Finance Rolf Presthus.

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ENERGY

NORWAY

# OFFICIAL DISAPPOINTED BY DRILLING PROGRESS IN NORTH

Oslo AFTENPOSTEN in Norwegian 30 Aug 85 p 34

[Article by Morten Woldsdal: "Northern Norwegian Spokesmen Sharply Critical: Disappointingly Low Oil Activity in the North"]

[Text] Harstad, 29 Aug -- The local authorities in Troms and Finnmark feel that the government has reduced its efforts towards a gradually increasing oil activity off the coast of Northern Norway. They notice with concern that probably fewer new exploratory wells will be drilled on Tromsoflaket in 1986 than this year. "This creates great uncertainty in this whole part of the country. Both the communities and the local economy have invested millions of kroner based on political promises of increased oil activity," spokesman Alf Birger Olsen of the Sorøysund community tells AFTENPOSTEN.

Together with the spokesmen of Hammerfest, Tromsø and Harstad he now sent a letter to Minister for Oil and Energy Kare Kristiansen in which it is stated with great concern that the oil activity off the coast of Northern Norway is not in accordance with the resolution on national policy which had been taken. These resolutions are the condition for the strategy, investments and planning in the North by the oil companies, the communities and industry. The four are spokesmen in communities which in the past few years have expended several hundred million kroner on the expansion of, for instance, basic activities.

This year a total of seven exploratory wells will be drilled on Tromsoflaket. It is very uncertain what will happen next year. "We expect that between two and nine new wells will be drilled--most likely the figure will be around five-six," department director Egil Bergsager in the Oil Directorate tells AFTENPOSTEN. As a comparison, the Oil Directorate expects that a total of 18 wells will be drilled on Haltenbanken and in the new Nordland II area off Central Norway versus 16 this year. Bergsager explains that for the Norwegian Continental Shelf as a whole a new drilling record will be set in 1985 with more than 50 new exploratory wells. He expects that this figure will be at 50-65 wells in the coming years.

"A disturbing expansion of activities outside central Norway is taking place at the expense of stable or increased activity in the North," says spokesman

Alf Birger Olsen, and he continues: "We are being given false hopes that the activity will stabilize and also increase.--Instead we experience reduced activity."

This year is the first season where drilling year round is permitted in the North. It was opened for year round drilling after a long political debate both centrally and locally. But since the oil companies do not have any blocks to drill in, there will be little activity in the winter anyhow. The only drilling which will take place during the winter months is a drilling which Esso will start in the fall on the so-called Lopparygen. This drilling will continue throughout the winter, but the drilling rig will be completely alone on Tromsflaket. None of the other operating firms have plans to start new drillings until later in 1986.

"The Ministry of Oil and Energy must take the responsibility for seeing that the year round activity will be kept up and that the assignments on the Continental Shelf are so interesting that the oil companies can justify keeping a reasonable number of rigs in continuous use," says spokesman Arnulf Olsen in Hammerfest. He characterizes the situation which has arisen as embarrassing for the central authorities.

#### Considerable Consequences

"In the current situation it is important that there will be no renewed doubt regarding the authorities' oil policy off the coast of northern Norway, since this can have considerable and negative consequences for the economy and the communities. The letter by the spokesmen says that this part of the country must not find itself in a situation where the economy cannot find a basis for investments because of low and unstable activity, while the economy in southern Norway gets a competitive edge because of a gradual move northward.

According to the four spokesmen the reason for the present situation lies with the authorities' concession policy which they consider to be a failure. Too few exploratory blocks are being awarded off the coast of northern Norway. The oil companies have the capacity to drill more wells, but they do not have enough blocks to drill in. "The authorities did not spend enough time to consider the consequences of the policy they are pursuing. This being the sixth drilling season on Tromsflaket we have made disappointingly little head-way," says spokesman Johan Nordvik in Harstad.

He advocates a new concession policy where the authorities prioritize the awarding of blocks in areas which the companies consider to be especially attractive--where the chances for profitable finds are great.

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ENERGY

NORWAY

#### DRILLING FIRM ENCOURAGED BY OIL FIND

Oslo AFTENPOSTEN in Norwegian 29 Aug 85 p 33

[Article by Morten Woldsdal: "Encouraging Oil Find"]

[Text] Harstad, 28 Aug -- Norsk Hydro's latest oil find in block 7120/2 is described as encouraging by the company. The company confirms that oil was found in the block, but is very cautious about saying anything as to the possible size of the reserves. 'A relatively large oil zone' were the words used by Norsk Hydro director Einar Wathne regarding the find at a press conference in Harstad on Wednesday.

He said that the oil is of good quality, corresponding, for instance, to the Statfjord oil.

At present, Norwegian oil circles follow the on-going drilling on the so-called Lopparyggen with great interest. Norsk Hydro has not yet completed the drilling. According to Wathne a comprehensive test program will be carried out. Therefore, he does not expect the testing of the well to be completed until sometime in October.

"We have been drilling here in a completely new geological province, and we have hit upon types of rocks which have never before been found shown in Western Europe. The types of rocks are 200-300 million years old, while the oldest types of rocks in the North Sea are about 60 million years old," said Wathne.

He emphasized that it is still very uncertain whether it will be possible to produce the oil in the block. Nothing more will be known about that until the testing has been done. It is difficult to extract from these particular types of rocks. However, most of the oil in countries such as Saudi Arabia, Iran and Iraq is produced from reservoirs with corresponding types of rocks.

Wathne said that more wells are needed before Norsk Hydro can say anything with greater certainty about the reserves in the find and whether it will be generally possible to produce from the reserves. The block is located more than 380 meter deep 140 km North of the North Cape. The oil company Norske Shell has recently started drilling in the same area, while Esso is to start drilling on Lopparyggen later this fall.

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ENERGY

NORWAY

## INCREASED OIL SEARCH ACTIVITY ON SVALBARD

Oslo AFTENPOSTEN in Norwegian 29 Aug 85 p 33

[Article by Morten Woldsdal: "Store Norske and Hydro with Comprehensive Explorations: Increased Search for Oil on Svalbard"]

[Text] Harstad 28 Aug -- The surveying of the possibilities for finding oil and gas on Svalbard will intensify considerably this fall. Store Norske Spitsbergen Kulkompani and Norsk Hydro will start a series of seismic explorations in the Svalbard fjords and at Bjornoya in September. In 1986 a corresponding survey will take place on land.

"No sufficient exploration with modern search technology has been done on Svalbard, and very little is being drilled. We consider a substantial involvement for exploring the possibilities for finding oil and gas in this area to be very interesting," Norsk Hydro director Einar Wathne said at a press conference in Harstad on Wednesday. He expects that Store Norske and Hydro can carry out drilling on Svalbard in two-three years at the earliest.

Norsk Hydro believes that there could be interesting opportunities in the area. The favorable tax rules with a maximum tax of 10 percent--as against 85 percent in the North Sea--could make it profitable to develop even a small find. Due to the difficult situation on the international gas market Svalbard gas will still rank low in competition with gas fields south of the Norwegian Continental Shelf.

This fall's seismic explorations are the first concrete consequence of the cooperation agreement which Store Norsk and Norsk Hydro entered into recently. Norsk Hydro signed this agreement with Store Norske "right under the nose" of Statoil. The agreement includes that Store Norske and Hydro will carry out a comprehensive program for mapping the resources of Store Norske's survey on Svalbard in the course of a period of up to 10 years.

Einar Wathne explained that this fall a total of 1,000 kilometers will be blasted seismically. The exploration will take place in parts of the Isfjord, Van Keulenfjord and Storfjord and in the area near Bjornoya. The seismic survey depends on the approval by Norwegian authorities.



The exploration will be carried out in cooperation with Geco, and simultaneously with this work seismic blasting on land will be prepared for 1986.

Store Norske is the operator for the survey program. The company will establish its own project organization in Longyearbyen which will be in charge of the practical implementation. According to Wathne, Norsk Hydro personnel will participate actively in this work.

The cooperation agreement between the two companies also includes explorations aimed at surveying natural resources other than oil and gas on Svalbard. During the winter more detailed plans for a joint search for different minerals in Store Norske's survey will be worked out.

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ENERGY

NORWAY

# TROMSOFLAKET SEEN AS POSSIBLE NEW OIL SOURCE

Oslo AFTENPOSTEN in Norwegian 29 Aug 85 p 33

[Article by Morten Woldsdal: Tromsoflaket Next Year: Possible Test Production"]

[Text] Harstad, 28 Aug -- Oil could be produced on Tromsoflaket as early as next year. Statoil is considering of carrying out a so-called long-term production test of the company's latest well in the Snohvit field. Such a test will include the production of oil from the well for a period of one to two years, so that Statoil will have a better basis for taking a position on a possible expansion of the field.

"Thus the Snohvit field could become the first location on the Northern Norwegian Continental Shelf where such a test production is started," Statoil department chief Bjorn Steinsvik told at the oil conference 'Petro '85' in Harstad on Wednesday.

Last year Statoil proved the first oil quantities on Tromsoflaket in the Snohvit field. The company is now at the point of completing a new drilling in block 7121/5 in the Eastern part of the field. This drilling confirmed that there is oil in the field. According to Steinsvik preparations are being made for testing the well. If the test results show that the well has good production properties, a final decision regarding test production could be made next year.

Bjorn Steinsvik told that in such a case Statoil can plug the well temporarily to come back to a long-term production test. If the company should decide to carry out a test production, this could start towards the end of 1986 or in 1987 and last for one to two years.

"With such a comprehensive test production the owners of drilling rights could obtain considerable information about the Snohvit field and the thin oil zone in the field. At the same time valuable experience will be gained from production on Tromsoflaket," said Steinsvik.

For the test production Statoil could use several of the rigs the company has at its disposal. The use of their own production ship--corresponding to

Nordenfjelds's "Petrojarl" is also under consideration. If the company will use a regular drilling rig, it will be adapted to the test production. The oil being produced will be loaded onto a tanker.

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CSO: 3639/162

ENERGY

NORWAY

## OFFSHORE CONSORTIUM EYES CONTRACTS FOR SOVIET ARCTIC WORK

Oslo AFTENPOSTEN in Norwegian 23 Aug 85 p 36

[Article by Morten Woldsdal: "BOCONOR Awaiting Profitable Finds: Great Interest In Oil Projects in the Soviet Union"]

[Text] The Soviet Union must make profitable oil finds in the Barents Sea before Norwegian industry can expect to get larger assignments in the area, according to the Barents Offshore Consortium of Norway (BOCONOR). The seven industrial concerns which make up BOCONOR are, however, optimistic. "We are more than just a little interested in obtaining a commission on the Soviet Continental Shelf," BOCONOR managing director Jan O. Helness tells AFTENPOSTEN.

Prime Minister Kare Willoch said this week that Norwegian firms must get the opportunity to apply for oil commissions on the Soviet Continental Shelf. At the same time, a high-ranking Soviet government official who was visiting Norway, expressed a clearly positive attitude towards further developing the cooperation between Norwegian industry and the Soviet Union in the oil and gas sector. The Soviet Minister for Gas said the same during his stay in Norway earlier this summer.

### Large Industrial Companies

The consortium BOCONOR was established a few years ago precisely for the purpose of obtaining for its member firms commissions on the Soviet Continental Shelf area as the oil activity would be developed in this area. BOCONOR consists of the large industrial companies Norwegian Contractors (NC), Norwegian Petroleum Consultants (NPC), Det Norske Veritas, Kongsberg Vapenfabrikk, Geophysical Company of Norway (Geco), Aker Stord Verft and Moss Rosenberg Verft. Jan O. Helness is chairman of the consortium in addition to being marketing director for NPC.

Several of the member companies have already carried out assignments for the Soviet Union. "But very little was done last year," Helness points out. As a reason for this he mentions that most BOCONOR companies are primarily interested in commissions in connection with expansion projects on the Soviet Continental Shelf. There is also interest in the exploration phase, but so

far Soviet authorities have not been very interested in a more extensive Norwegian involvement here. "We could, for instance, carry out proper seismic studies to be able to show possible oil and gas fields," Helness points out.

#### Regular Contact

He says that no profitable oil finds have been discovered in the Barents Sea so far and that is why there has been so little cooperation between BOCONOR and the Soviet Union. He states, however, that the consortium is in regular contact with the Soviet authorities. BOCONOR considers the fact that the Soviet Minister for Gas visited the consortium this summer as an expression of a great interest in a continued good cooperation.

"We interpret it to mean that the Soviet Union is very interested in Norway. There is probably no other country in the world which has such great capabilities when it comes to these types of projects in this climate. Even though little happened last year, the interest in BOCONOR is not declining. On the contrary, we are interested in active efforts on the Soviet Continental Shelf perhaps more than any time before. And we look with optimism towards the possibilities for getting commissions here," says Jan O. Helness of BOCONOR.

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